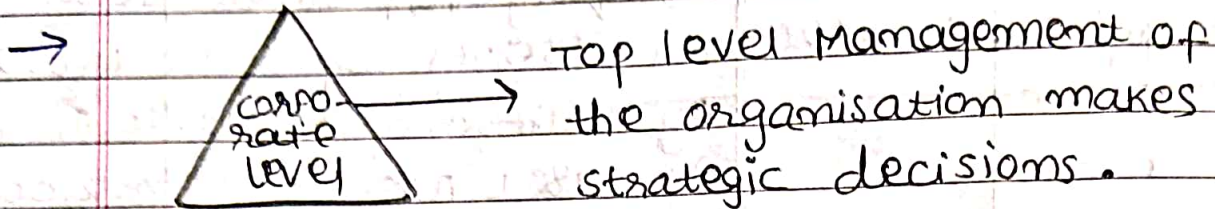
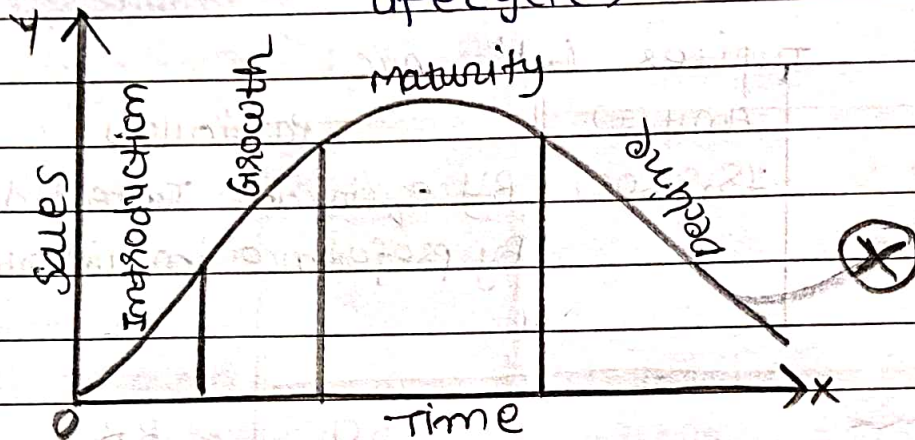


4. Strategic choice



concept 1:- stages of product lifecycle (Business lifecycle)



Product lifecycle (PLC)

Meaning

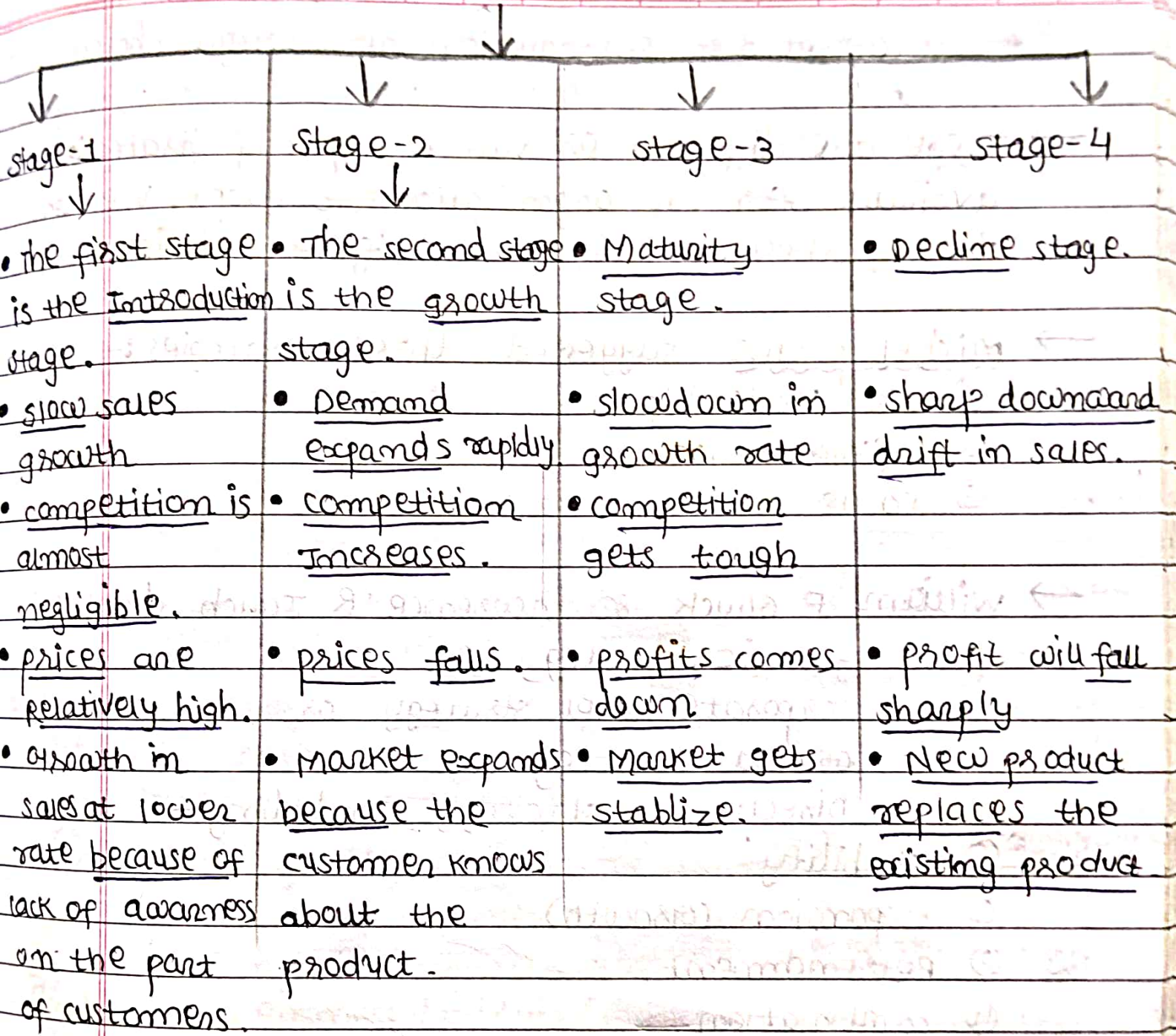
stages

significance of PLC

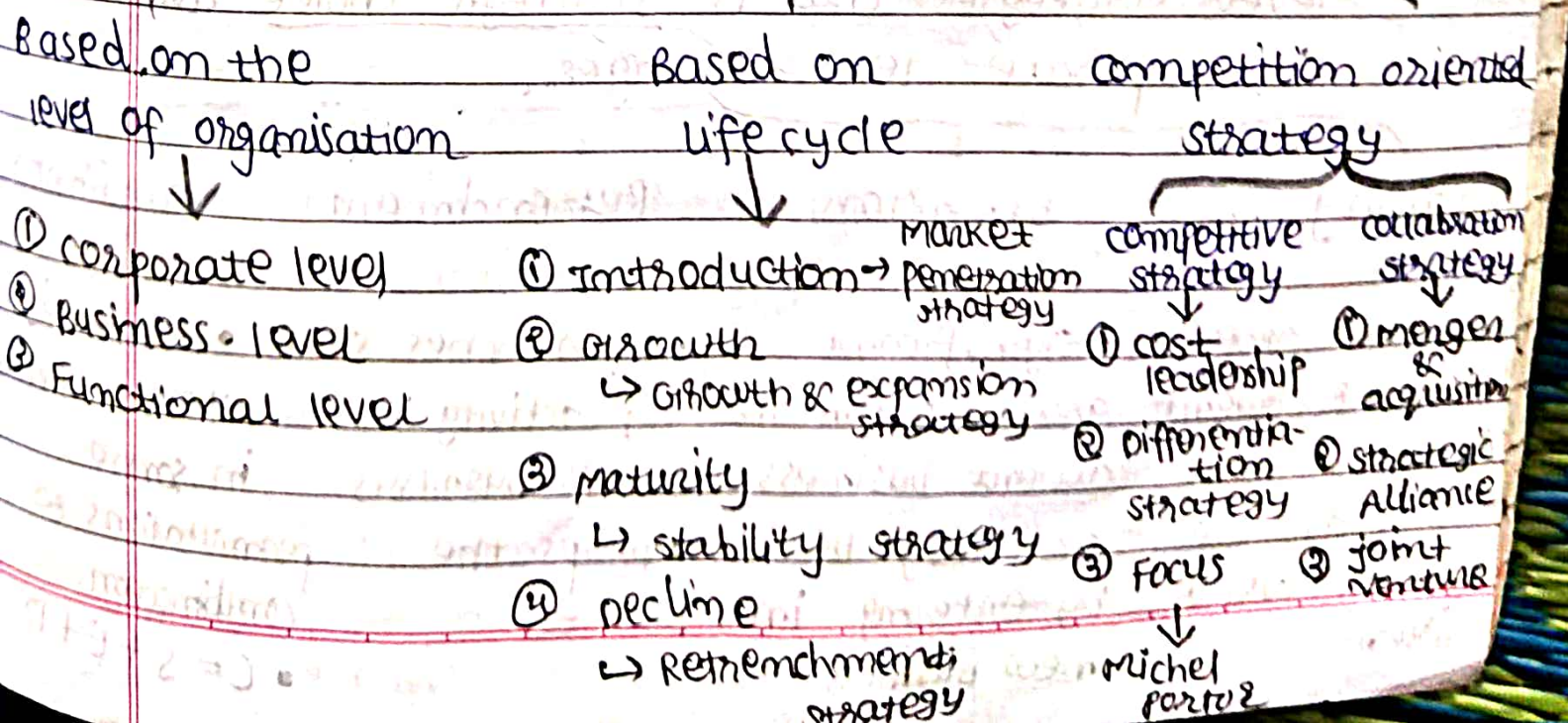
- PLC is useful framing strategic decisions.
- PLC is s-shaped curve
- It tells about relationship of sales with respect of time for a product.

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

MTP May 25



concept 2 :- different type of strategy



concept 3 :- Introduction of strategic choice

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

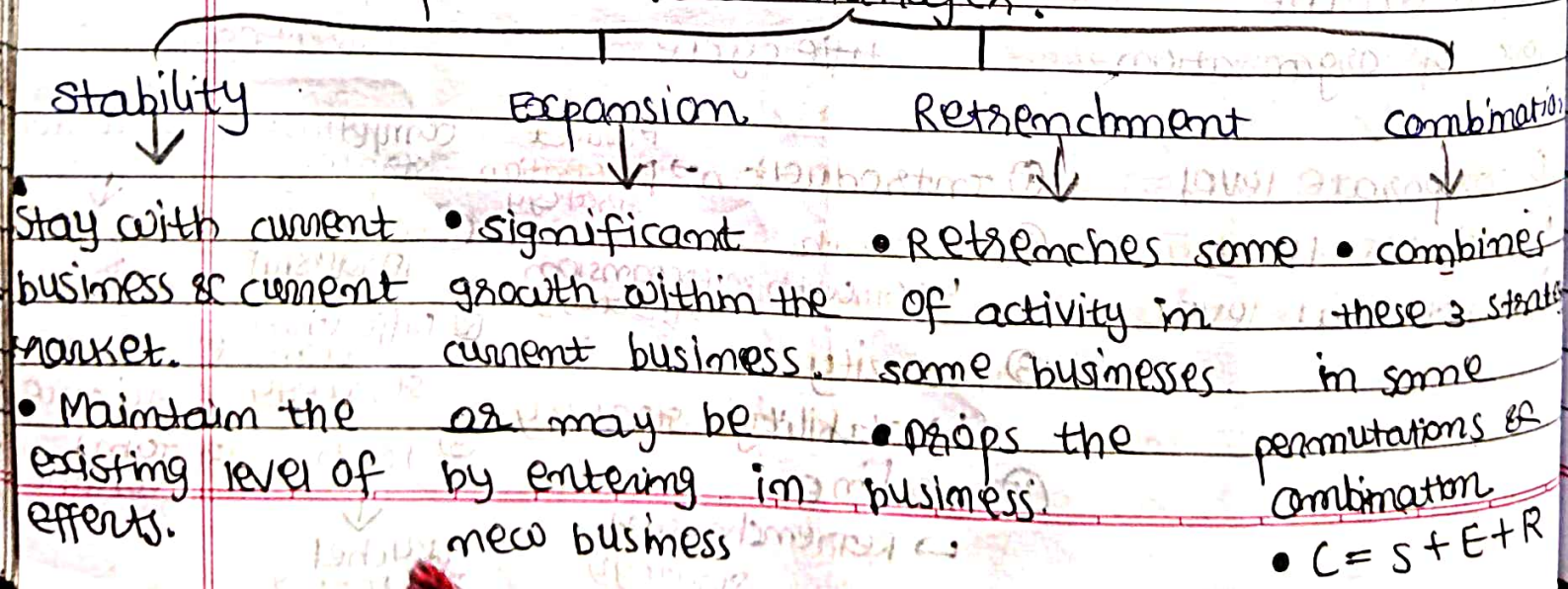
→ Michel porter suggested three strategies :-

- ① cost leadership
- ② Differentiation
- ③ Focus

→ William F Gluck & Lawrence 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 managers.



organisation satisfy with incremental growth.

• By entering in new business that may be related to existing business or unrelated to existing business

• Reliance

oil (S) jio (E) ruhrdo (R)

concept 4 :- Flow chart of corporate strategy

stability

Growth/Expansion

Retrenchment

Combination

Internal

External

Internal

External

Intensification

Diversification

Merger & acquisition

Strategic alliance

Turnaround

Divestment

Liquidation

(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 - Incremental 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 consolidation
- ⑤ Rapid Expansion in consolidation

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

Imp. for exams :-

- stability strategy is "DO nothing" strategy?
NO; stability strategy means do not 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"

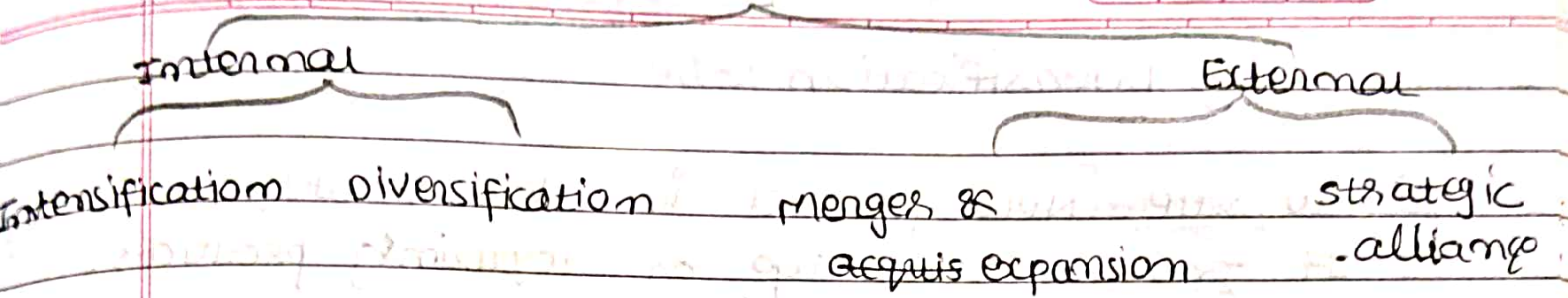
- meaning & characteristics :-

- a) High Risk $\uparrow$ & pitfalls
- b) Fresh Investment $\uparrow$
- c) Tension $\uparrow$ (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 operation
- (3) CEO pride in preceding over growth oriented organ
- (4) Environment is in place of activity.
- (5) Expansion also includes intensify, diversify, acquiring & mergers

- Types of Expansion/Growth strategy



⇒ Internal growth strategies :-

(i) Intensification :-

→ Redefining of Business definition by substantially scaling the level of operation through Internal development.

→ NOT taking help of other corporations or business

→ Strategies for intensification

(MTP - sep-24) (r)

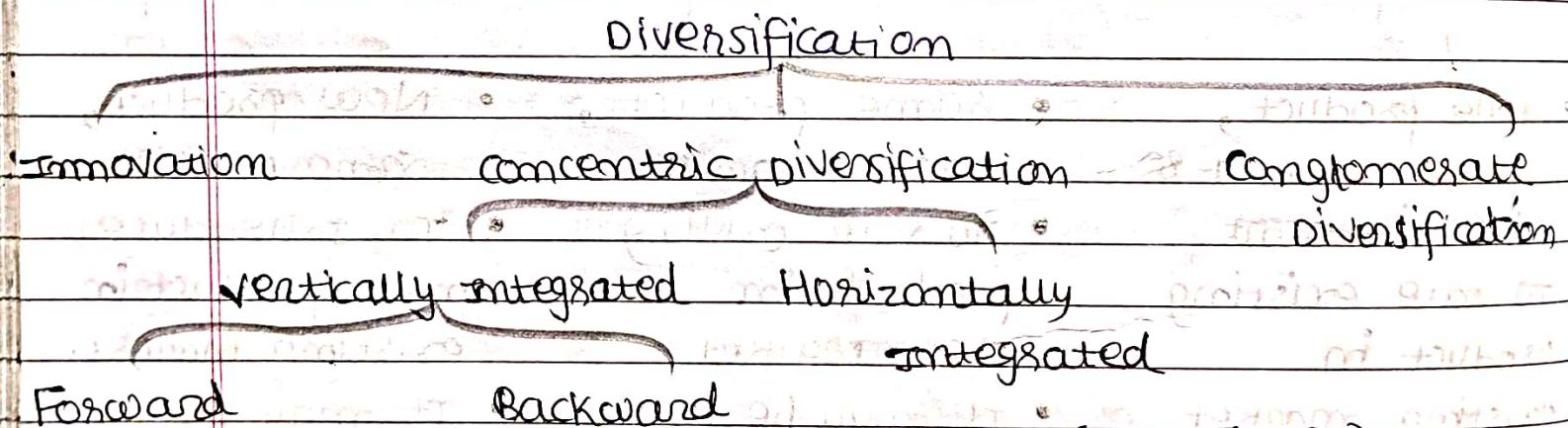
Market Penetration	Market Development	Product Development
↓	↓	↓
• Same product, same market & Advertisement. • To sale existing product in existing market. • more sales to present customer without changing product. • It may require spending on advertising or personal selling.	• Same product, New market • To sale existing product in New Market. • It may be achieve through new geographical market & new distribution channel. • create 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

eg:- luxury clothing brand.

(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)



① concentric diversification :-

- 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 C, purchase more machine

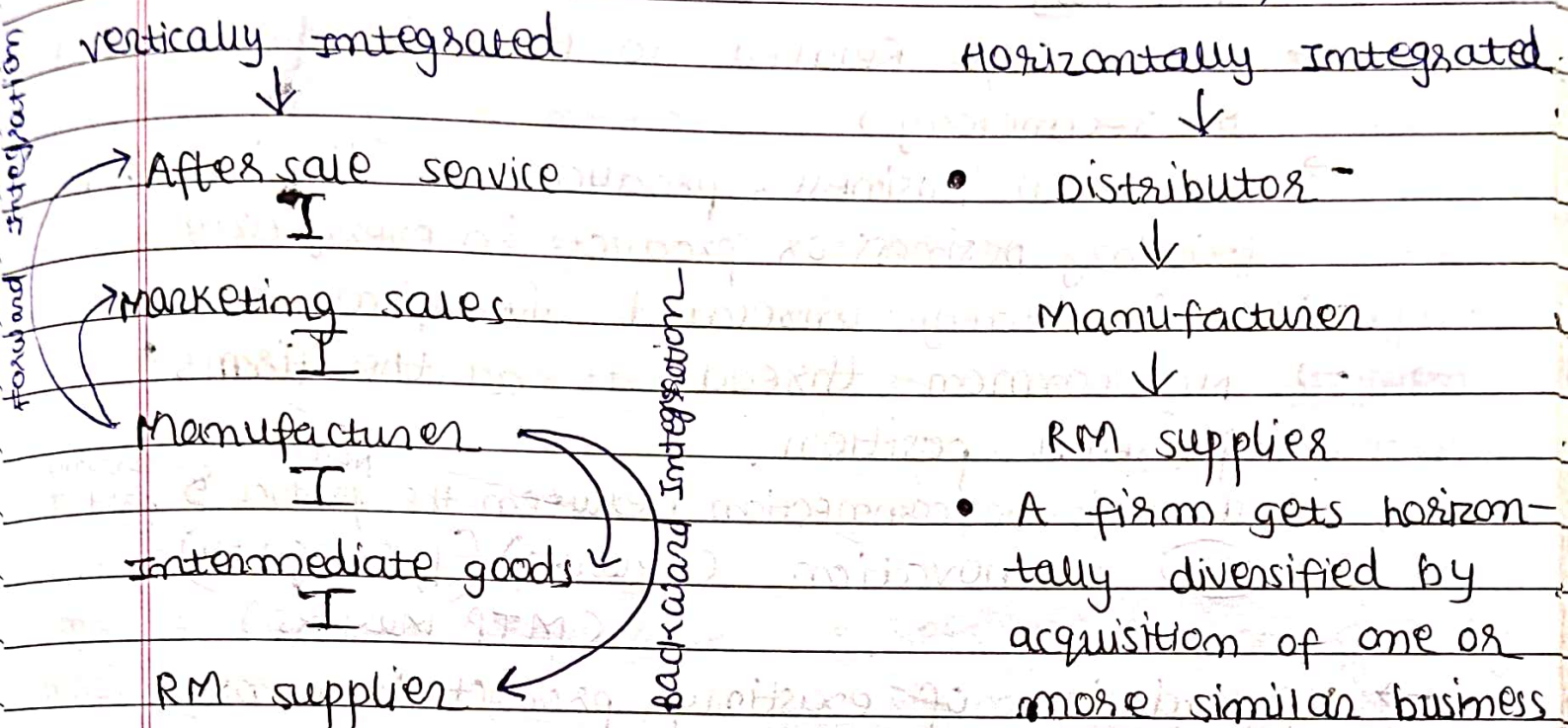
(MTP Jan-25)
(MTP May 25)

(RTP sep-24)

(MTP May-24)

(PYQ May-24)

concentric diversification



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

- 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.

Both forward & backward integration offer advantages such as increased market power, cost efficiencies & greater control over critical business process. Both integration depends upon industry dynamic, competitive landscape & 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 processes, 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 consumer

Benefits

Related diversification
(concentric)

- ① Economical of scale
- ② Brand Name
- ③ marketing skills
- ④ Manufacturing skills
- ⑤ R & D
- ⑥ sale & distribution capacity

Unrelated diversification
(conglomerate)

- ① Employment of new technology
- ② defend against takeover bids
- ③ Investment in New product
- ④ Focus on Multiple product
- ⑤ Reduce Risk
- ⑥ Provide executive interest

* only acquisition word $\Rightarrow$ diversification

* Merges & acquisition word $\Rightarrow$ Merges & acquisition

Page No.	
Date	

$\Rightarrow$ External growth strategies

(i) Merges & Acquisition

• Meaning of Merger



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

• Gets finalized on friendly team & both the organisation shares profit in newly created entity.

• Meaning of Acquisition

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

• Gets finalized on friendly teams.

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

• Meaning of Take over

$\rightarrow$ When a deal in case of acquisition, finalise on unfriendly manner it is called takeovers.

$\rightarrow$ company in weaker position is forced to sell its entity.

• Types of Merges $\rightarrow$ similar to diversification;

Horizontal
merges



$\rightarrow$ combination of firms engaged in the same industry.

Vertical
merges



$\rightarrow$ It is a merger of two organisation that are

(MTP sep lay)

Co-generic
merges



$\rightarrow$ two or more merging organisations are associated in same way.

conglomerate
merges



$\rightarrow$ combination of firm's operating in different

→ It is a merger operating in the same industry but at different stages of prod^m or distri^m stage → Non-competing Industry → this is unrelated to each other → provide significant opportunity

Backward Forward

→ take over its supplier / procedures of RM, then it is a Backward integration → it happens when organisation decides to take over its buyers organisations or distribution channels → for both company to capitalize → it is strategy move that diversify

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

Meaning	Advantages	Disadvantages
↓	↓	↓
It is Relationship between two or more business that enables each to achieve certain objectives which neither could be able to achieve on its own.	ESOP E - Economic advantage S - strategic advantage O - Organisational advantage P - Political advantage	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.

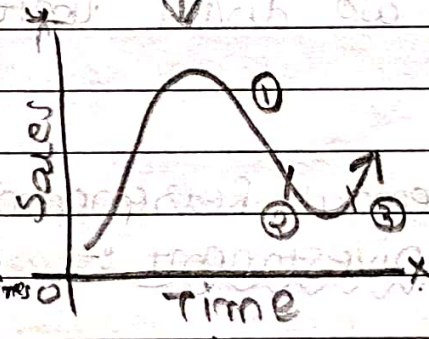
(iii) If it cuts off the loss making unit, division, SBU's, curtails its production line, it adopt divestment strategy.

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

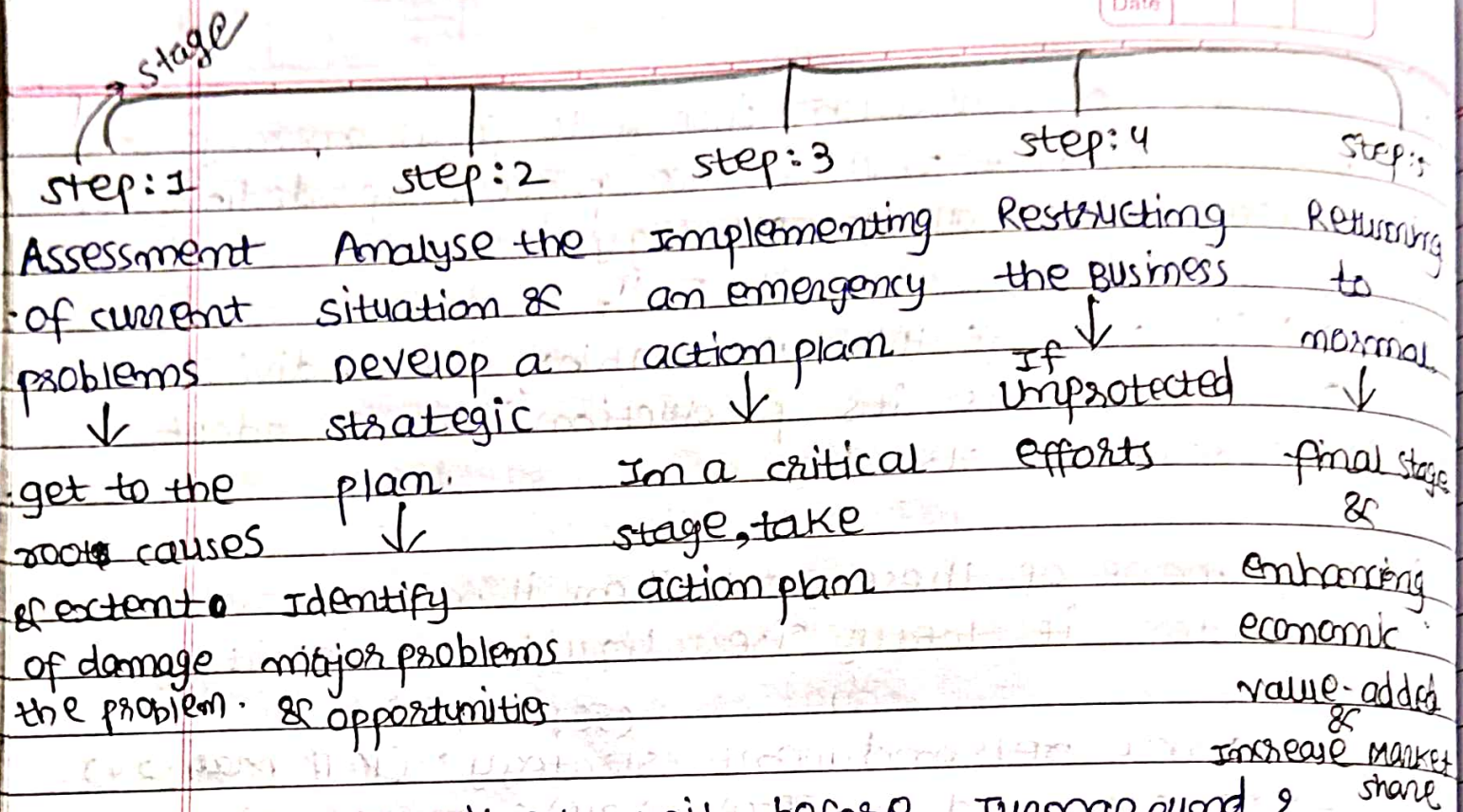
(SEP 24 PYQ)

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

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

Meaning	Indicators	Action plan	Elements
Entity shall try to improve their internal efficiency, known as turnaround.	when Turnaround is required ↓ • persistent (constant) cash flow from business • declining market share • Over staffing • low moral • uncompetitive products or services • Mismanagement • high T/O of employees • Negative cashflow		• Identifying quick payoff activities, • Revenue generation • Quick cost reductions • Neutralizing external pressures • Assets liquidation • Better internal co-ordination • changes in top level mgt.

"product mix" may be changed :-



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.

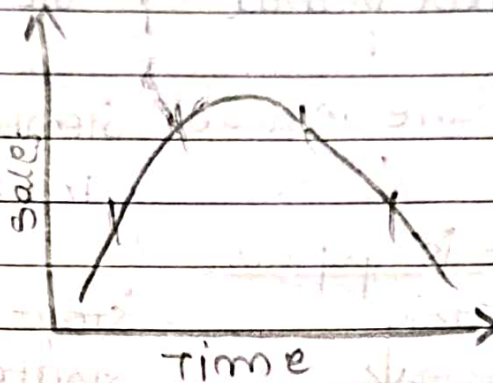
It is adopted when turnaround proves to be unsuccessful & business become unprofitable & unviable due to external factors.

It is integral part of corporate strategy without any stigma (connotation) attached.

Reasons & characteristics ⇒ Refer book

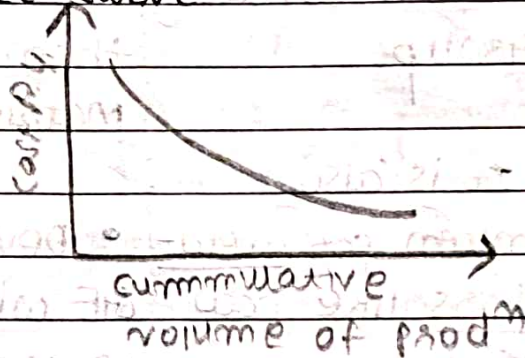
Concept 4 :- Strategic options

→ product lifecycle



→ Learning curve /

Experience curve



→ SBU :- (Strategic Business Unit)

- It is a collection of similar products or business for which separate strategies required.
- Each SBU has its own Mgt.
- Each SBU has its own customers & competitors.
- 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 Jan-25
PYQ Jan-25

MTP May-25

RTP May-24

RTP Jan-25

PYQ Jan-25

RTP May-25

APM Matrix

BCG Matrix

GE Matrix

ADL Matrix



Amsoff's product market

Share Matrix

General Electronic Matrix

derived from Arthur D Little



Growth Matrix

It is popular Matrix

'stop-light' strategy matrix

It is based on PLC / BLC / IC ^{Industry}



proposed by Igor Amsoff

Developed by Boston consulting

• It is better than BCG Matrix

Two dimensional Matrix:-

• It depends on Market & product

Group.

Matrix

• X-axis → IC

• It is also

• Developed by GE with assistance of consulting firm McKinsey & co.

• Y-axis → competitive position

• Products may be existing or New & Markets may be existing or new.

Known for meta-phors like cow & dog.

• It is also known as GE Nine-cell Matrix & GE model

• competitive position

• This matrix is also called "Growth Matrix"

• classify its different business on a two-dimensional matrix ⇒

• Inspired by traffic control light

1) Dominant
2) strong
3) Favourable
4) Tenable
5) weak

• strategies :-

Vertical axis (Y Axis)
Horizontal axis (X Axis)

• Two factor :-
a) Market / Industry attractiveness
b) Business Unit strength

• The Role is to assess the competitive position of a firm based on above five criteria.

1) Market penetration
2) Market Development
3) Product Development
4) Diversification

Market growth rate
Relative Market Share

• classification of product & Business

1) star
2) cash cow
3) dog
4) question mark

• Portfolio analysis method

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

- 1) Build - star
- 2) Hold ~~cash flow~~ ^{mark}
- 3) Harvest - question
- 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 fast 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 GIE Matrix

If product falls in

green section

↓

expand/

invest/

grow

↓

• Advantage positions

• Reap (acquire)

the

Benefits

for

strategic

choices.

If product fall in

yellow

section

↓

earn/

select/

protect

↓

• It needs caution &

managerial

discretion

is called

for

strategic

choices.

If product fall in

Red zone

↓

Retrenchment

or Divest

or liquidation

↓

• Eventually

losses that

would make

difficult

for organization

Corporate Strategy

Stability

Expansion

Retrenchment

Combination

Internal

External

Internal

External

Intensification

Diversification

Merge & acquisition

strategic alliance

turnaround

divestment

liquidation
↓
not in syllabus

Market penetration
Product development

Innovation

concentric

conglomerate

Vertical Integrated

Horizontal Integrated

Forward

Backward

:- BCG - Growth - share Matrix :-

- classified into four categories :- star, cash cows, dog & question marks.
- These classification is based on combination of market share & market growth rate.

