



STRATEGIC MANAGEMENT

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GURU GOBIND SINGH INDRAPRASTHA UNIVERSITY, NEW DELHI
MASTER OF BUSINESS ADMINISTRATION (ON WEEKEND BASIS)

Strategic Management

Course code: MBA 202

L-2, Credits: 3

Objective: To develop an understanding of the Strategic Management process in a dynamic and competitive global environment.

Course Contents

Unit I

Nature of Strategic Management: Concept of Strategy; Vision Mission, Goals and Objectives; External Environmental Analysis; Analyzing Companies Resource in Competitive Position; Mintzberg's 5Ps of Strategy; Strategic Management Process, Corporate Governance. **(10 Hours)**

Unit II

Strategy Formulation: External Environmental Analysis; Analyzing Companies Resource in Competitive Position- Concept of Stretch, Leverage and Fit; Strategic Analysis and Choice, Porter's Five Forces Model, Concept of Value Chain, Grand Strategies; Porter's Generic Strategies; Strategies for Competing in Global Markets. **(12 Hours)**

Unit III

Corporate-Level Strategies: Diversification Strategies: Creating Corporate Value and the Issue of Relatedness, Vertical Integration: Coordinating the Value Chain, The Growth of the Firm: Internal Development, Mergers & Acquisitions, and Strategic Alliances Restructuring Strategies. **(10 Hours)**

Unit IV

Strategy Implementation and Evaluation: Structural Considerations and Organizational Design; Leadership and Corporate Culture; Strategy Evaluation: Importance and Nature of Strategic Evaluation; Strategic and Operational Control, Need for Balanced Scorecard. **(10 Hours)**

Text Books

1. Thomas L. Wheelen, J. David Hunger (2016), Concept in Strategic Management and Business Policy, 14/e, Pearson Education.
2. Arthur, A, Thompson and Strickland, A. J. (2014), Strategic Management – Concept and Cases, 19/e, McGraw Hill Education.

Reference Books

1. Kark, Rajneesh (2008), Competing with the Best: Strategic Management of Indian Companies in a Globalizing Arena, Penguin Books, India.
2. Azhar Kazmi (2015), Business Policy and Strategic Management, 4/e, Mc GrawHill Education.
3. Hitt Michael A., Ireland R.D. and Robert E Hoskisson, (2017), Strategic Management: Competitiveness & Globalization, Concepts and Cases, 12/e, Addison Wesley.
4. Fred David (2015), Strategic Management : A Competitive Advantage Approach, Concepts and Cases, 15/e, Pearson Education.

COURSE OBJECTIVES



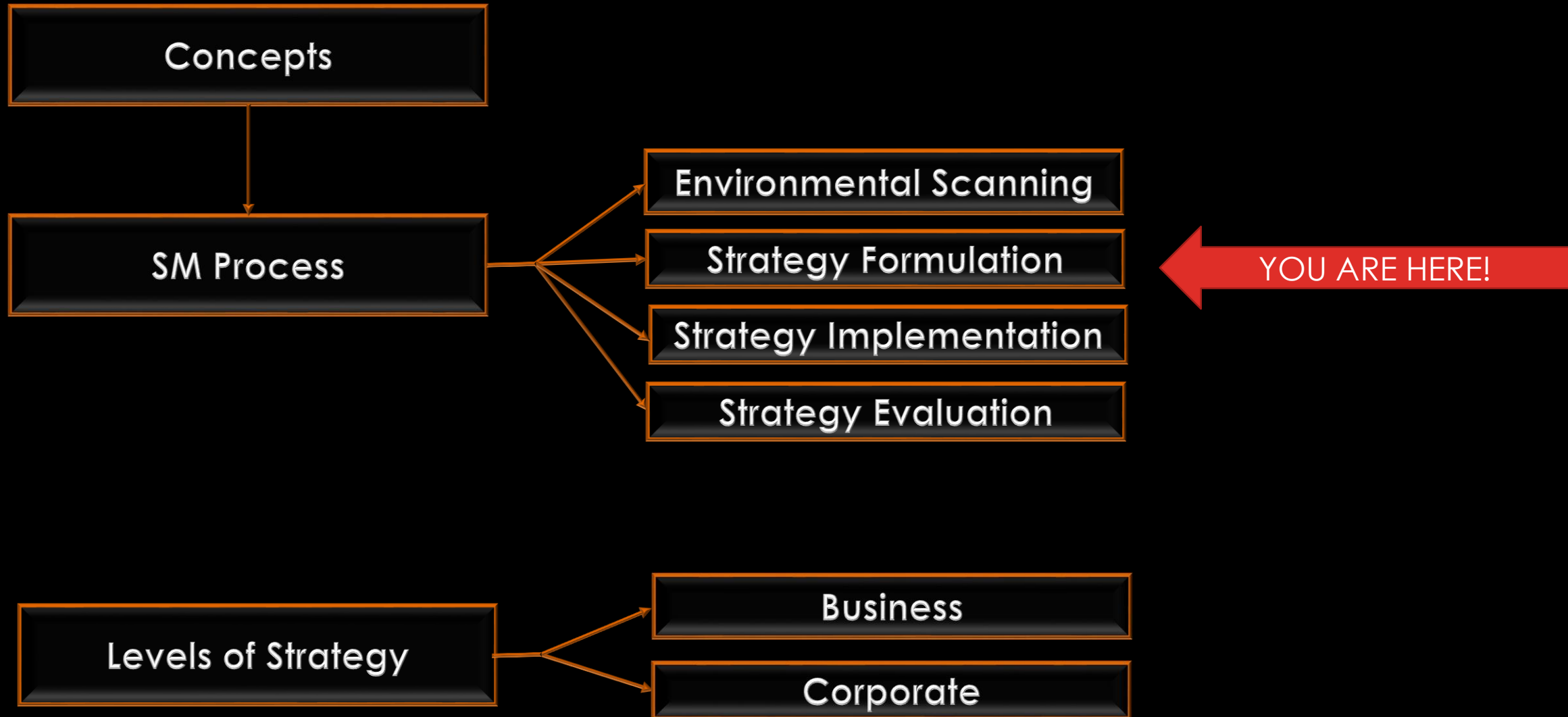
BY THE END OF THIS SESSION, YOU WILL KNOW...

- How is Portfolio analysis used to guide a firm with multiple products and businesses
- The BCG Growth Share Matrix
- How to use the BCG Matrix to Strategize

RECAP OF LAST SESSION

- What are the different levels of strategy
- What are the three issues that Corporate strategy addresses?
- What are directional or GRAND STRATEGIES?

STRUCTURE OF THE COURSE



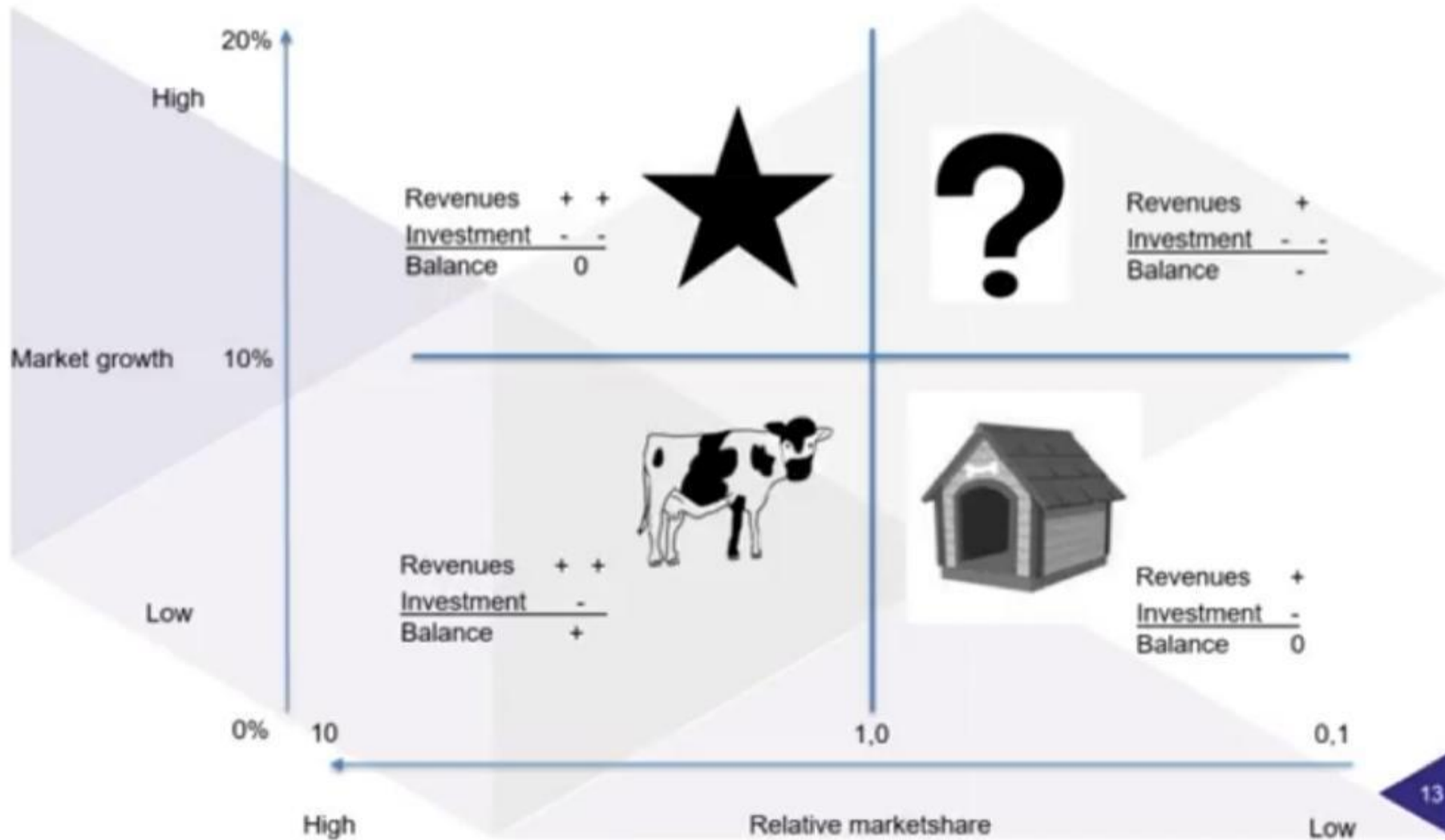
BCG GROWTH SHARE MATRIX

- One of the most popular portfolio analysis tools
- Invented by Bruce Henderson of **Boston Consulting Group** in 1968
- Purpose: To make investment decisions of your firm's SBUs or Products

The **BCG Growth-Share matrix** is a tool used in **corporate strategy** to analyze **business** units or product lines based on two variables: relative market share and the market growth rate

THE MODEL

—————→ Cashflow
 - - - - -→ Desirable movement



GOOGLE'S BCG MATRIX - STARS

- By definition, BCG Matrix is Portfolio analysis tool used to guide a firm with multiple products and businesses.
- Lets select the firm as GOOGLE, which has a multitude of Products and Businesses
- In today's world with fast speed networks (5G coming soon), video streaming is a high growth market and Youtube's relative position in this market is very strong. Hence, Youtube could be considered as a **STAR** in the BCG matrix
- Strategic choices: Vertical integration, horizontal integration, market penetration, market development, product development



QUESTION MARKS

- Google Cloud Platform, popularly known as GCP, is currently playing in a very High Growth Cloud Market. However, with the dominance of the players such as Amazon Web Services and Microsoft Azure, its relative Market Share is low
- Hence, GCP is currently a Question Mark for Google, i.e. the future potential of GCP is doubtful.
- Google knows that as the Market growth rate is high, with the right strategies and investments, Google can make GCP a Star (and eventually a Cash cow as well).
- On the flip side, since they have low market share, so wrong investments can downgrade them to Dogs.
- Strategic choices: Market penetration, market development, product development, divestment.



CASH COWS

- Google makes most of its money from advertising. The product that brings them the Ad money is called Google Adwords. Another of it's products aimed find the right audience in this quadrant is Google Display Network
- The growth of the global advertising market is currently low, and Google has the Highest Market Share in this market.
- These products generate profits and cash but over time need to be replaced because the future growth will be lower. Google can finance other products that need investment in Stars and Question marks quadrants.
- Strategic choices: Product development, diversification

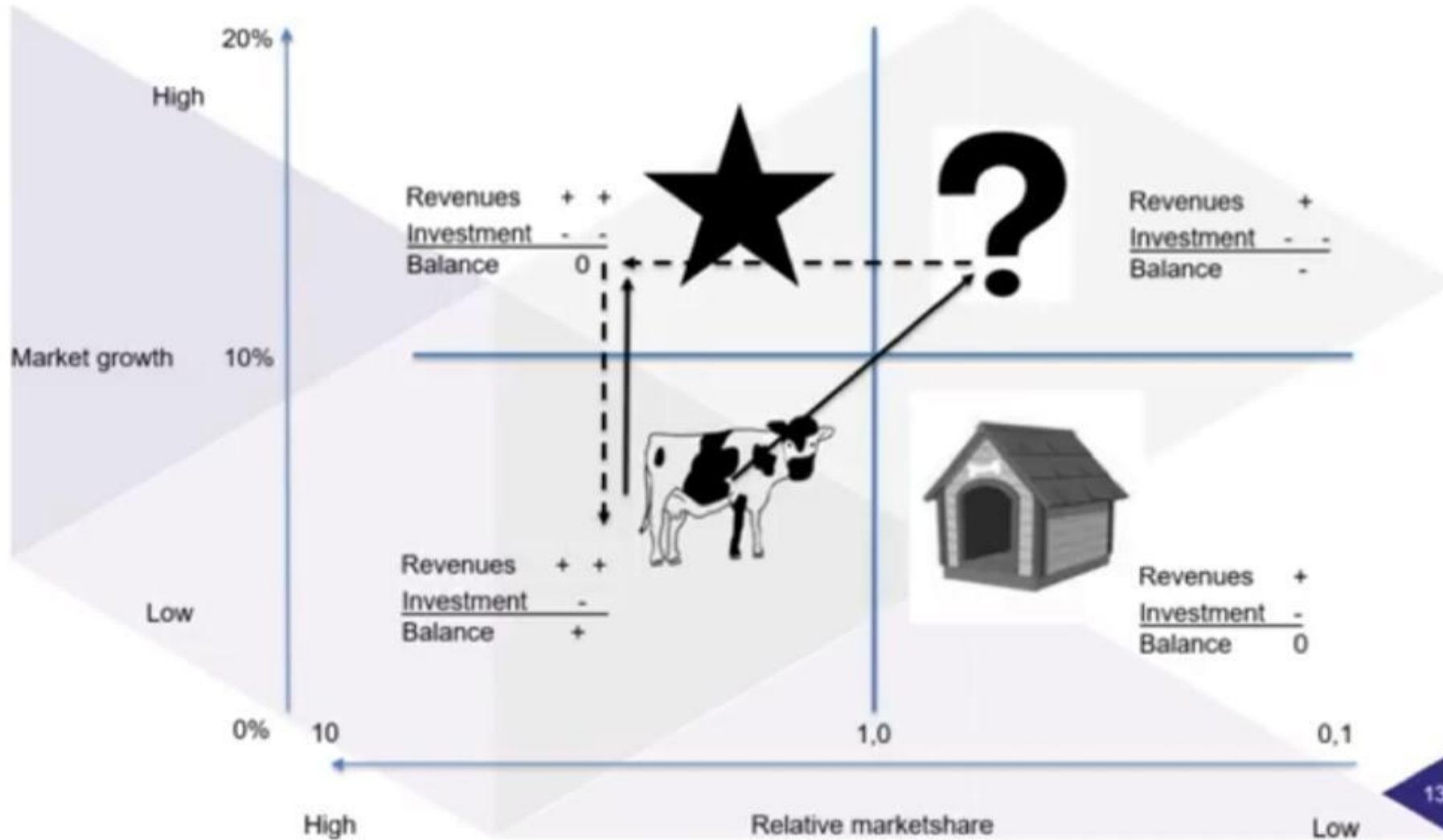
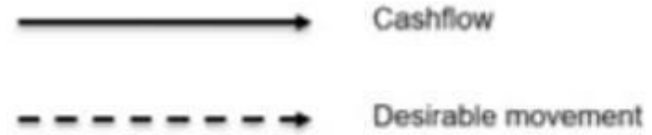


DOGS

- Dogs hold low market share compared to competitors. Neither do they generate cash nor do they require huge cash. In case of Google, it would be its products like Google Plus (which it shut down in 2019), Google News.
- In general, they are not worth investing in because they generate low or negative cash returns and may require large sums of money to support.
- Due to low market share, these products face cost disadvantages.
- Strategic choices: Retrenchment, divestment, liquidation



THE MODEL





CREATING THE BCG MATRIX

STEP 1: CHOOSE THE PRODUCT/FIRM/BRAND

Product categories

L'Oréal Luxe

Lancôme
Giorgio Armani
Beauty
Biotherm
Kiehl's
Shu Uemura
Helena
Rubinstein
Yves Saint
Laurent
Yue Sai
Yves Saint Laurent Beauté
Ralph Lauren
Cacharel
Clarisonic
Diesel
Viktor&Rolf
Maison Martin
Margiela
Urban Decay

Active Cosmetic Division

Vichy
La Roche-Posay
SkinCeutical
S
Innéov
Roger&Gallet
Sanoflore

Consumer Product Division

L'Oréal Paris
Garnier
Maybelline NY
Mini Nurse
Softsheen.Carson
Createurs de beauté.com
Essie

Professional Products

L'Oréal
Professional
Kérastase
Matrix
Redken
Pureology
Shu Uemura Art of Hair
Mizani
Essie



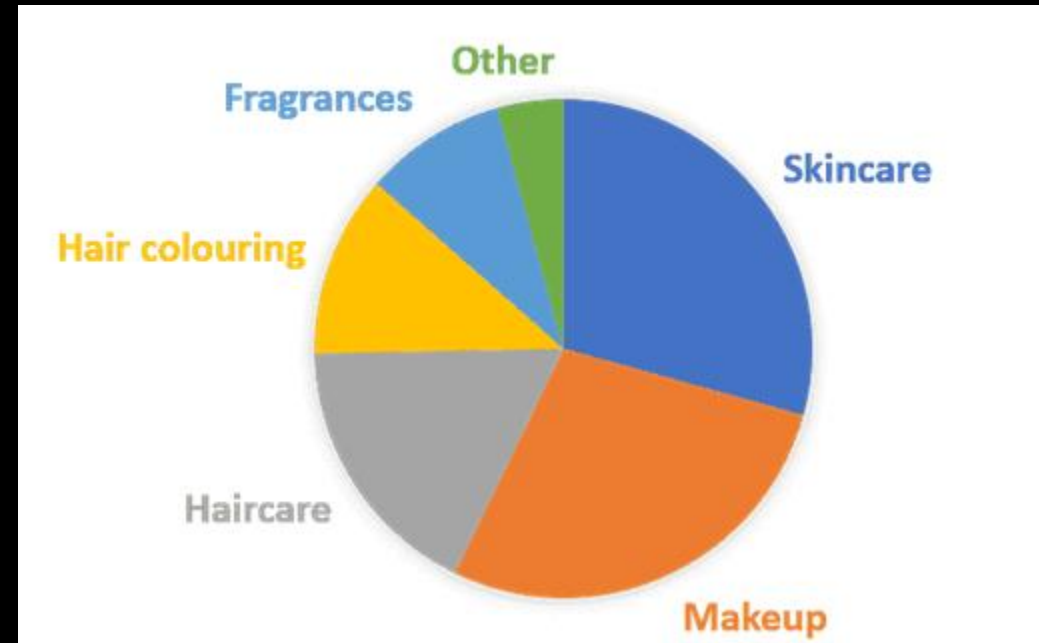
L'ORÉAL

STEP 2: IDENTIFY MARKET

- The chosen market is the Cosmetics Industry which includes primarily- Skincare, Makeup, Haircare, Hair colour and Fragrances.

STEP 3: CALCULATE “RELATIVE” MARKET SHARE

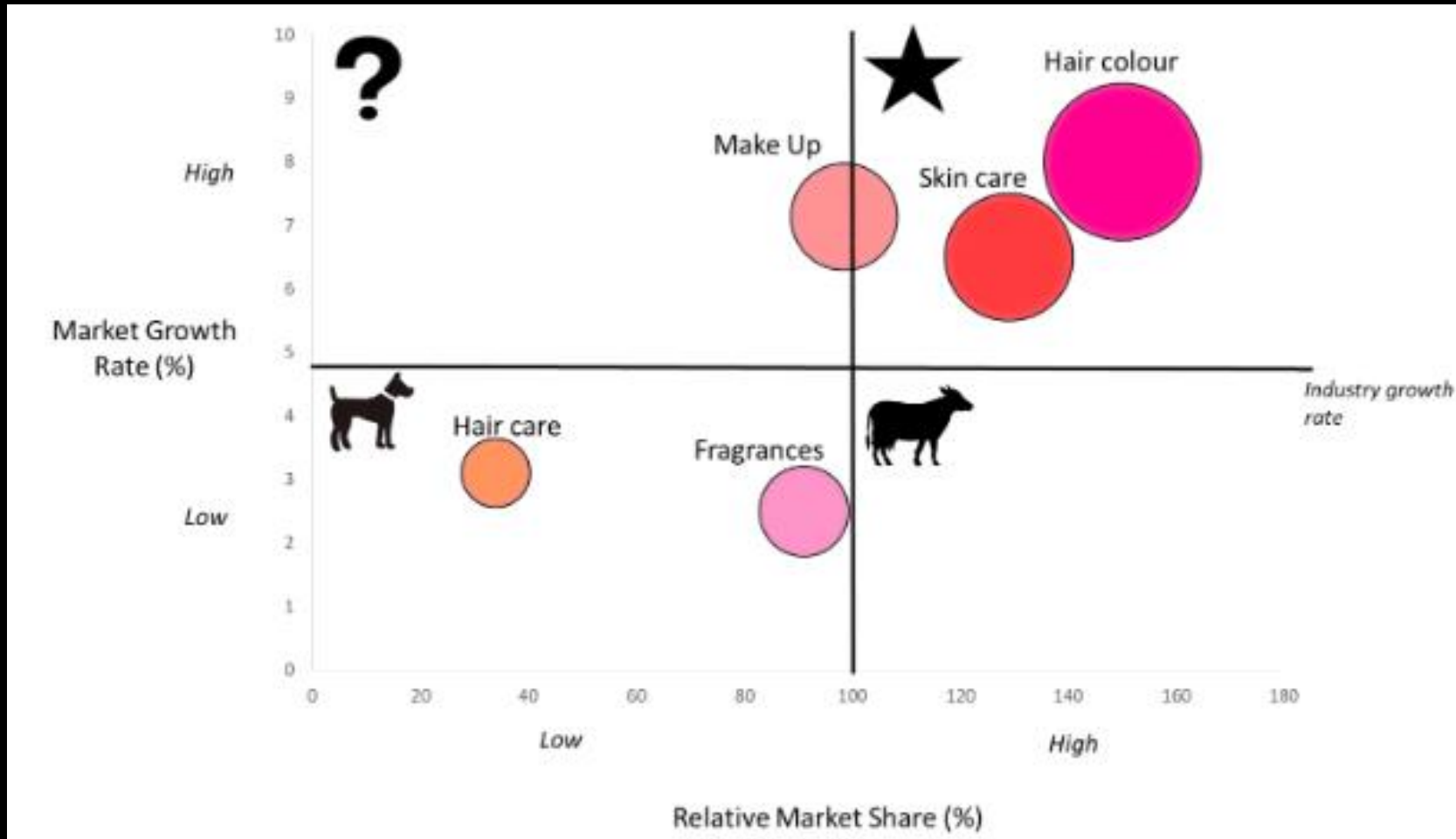
L'OREAL CATEGORY	MARKET SHARE (1)	LEADING RIVAL	RIVAL'S MARKET SHARE (2)	RELATIVE MARKET SHARE (1)/(2)	CATEGORY GROWTH RATE
Skincare	\$31.6 bn	Unilever	\$24 bn	129%	6.5%
Make- Up	\$27.1 bn	P&G	\$27.5 bn	98.5%	7.14%
Hair Care	3%	Unilever	8.84%	33.9%	3.1%
Hair Colour	9%	Henkel	6%	150%	8%
Fragrances	4.1%	Chanel	4.5%	91%	2.5%



STEP 4: FIND OUT MARKET GROWTH RATE

- Average Growth rate in Cosmetics Industry (as of 2018) = 4.8%

STEP 5: PLOT ON THE MATRIX



USING THE BCG MATRIX TO STRATEGIZE

You can follow the following Four potential strategies based on the results of your BCG matrix analysis:

- **Build.** Increase investment in a product to increase its market share. For example, you can push a question mark into a star and, finally, a cash cow.
- **Hold.** If you can't invest more into a product, hold it in the same quadrant and leave it be.
- **Harvest.** Reduce your investment and try to take out the maximum cash flow from the product, which increases its overall profitability (best for cash cows).
- **Divest.** Release the amount of money already stuck in the business (best for dogs).

WHAT YOU LEARNT TODAY

- How is Portfolio analysis used to guide a firm with multiple products and businesses
- The BCG Growth Share Matrix
- How to use the BCG Matrix to Strategize

NEXT CLASS..

- How to develop parenting strategy for a multi-business firm
- Growth of the firm
 - Internal development
 - Mergers & Acquisitions
 - Strategic Alliances
- Restructuring Strategies