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EVALUATIONAL STUDY OF THE MODELS AND THEORIES OF STRATEGIC MANAGEMENT

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ABSTRACT

Strategic management has been studied over the period and various theories of the strategic management have been evolved by many management thinkers worldwide. This paper goes on to evaluate the key focus areas of leading strategic management theories. The theories have also been verified and their justification has been testified by the paper.

KEYWORDS: - Strategic Management, Strategic Models, Ansoff's Matrix, Business Policy

DISCUSSION

To portray various company growth methods, Igor Ansoff given a matrix that targeted on the firm's gift and potential product and markets (customers). By considering ways in which to grow via existing product and new product, and in existing markets and new markets, there square measure four attainable product-market mixtures. Ansoff's matrix is shown below:

Ansoff's matrix provides four totally different growth strategies:

- Penetration - the firm seeks to attain growth with existing product in their current market segments, getting to increase its market share.
- Market Development - the firm seeks growth by targeting its existing product to new market segments.
- Development - the corporations develops new product targeted to its existing market segments.
- Diversification - the firm grows by diversifying into new businesses by developing new product for brand spanking new markets.

SELECTING A PRODUCT-MARKET GROWTH STRATEGY

The penetration strategy is that the least risky since it leverages several of the firm's existing resources and capabilities. In an exceedingly growing market, merely maintaining market share can end in growth, and there could exist opportunities to extend market share if competitors reach capability limits. However, penetration has limits, and once the market approaches saturation another strategy should be pursued if the firm is to still grow.

Market development choices embrace the pursuit of extra market segments or nation-states. The event of latest markets for the merchandise is also an honest strategy if the firm's core competencies square measure connected additional to the particular product than to its expertise with a selected market phase. As a result of the firm is increasing into a brand new market, a market development strategy generally has additional risk than a penetration strategy.

A development strategy is also applicable if the firm's strengths square measure associated with its specific customers instead of to the particular product itself. During this state of affairs, it will leverage its strengths by developing a brand new product targeted to its existing customers. Almost like the case of latest market development, new development carries additional risk than merely trying to extend market share.

Diversification is that the most risky of the four growth methods since it needs each product and market development and will be outside the core competencies of the firm. In fact, this quadrant of the matrix has been cited by some because the "suicide cell". However, diversification is also an inexpensive alternative if the high risk is paid by the prospect of a high rate of come. Alternative benefits of diversification embrace the potential to realize an edge in a sexy trade and therefore the reduction of overall business portfolio risk.

BCG GROWTH-SHARE MATRIX

Companies that square measure giant enough to be organized into strategic business units face the challenge of allocating resources among those units. Within the early 1970's the Boston Consulting cluster developed a model for managing a portfolio of various business units (or major product lines). The BCG growth-share matrix displays the varied business units on a graph of the market rate vs. market share relative to competitors:

BCG GROWTH-SHARE MATRIX

Resources square measure allotted to business units consistent with wherever they're placed on the grid as follows:

- Projection - a business unit that features a giant market share in an exceedingly mature, slow growing trade. Money cows need very little investment and generate money that may be wont to invest in alternative business units.
- Star - a business unit that features a giant market share in an exceedingly quick growing trade. Stars could generate money, however as a result of the market is growing chop-chop they need investment to keep up their lead. If successful, a star can become a projection once its trade matures.
- Interrogation point (or drawback Child) - a business unit that features a little market share in an exceedingly high growth market. These business units need resources to grow market share, however whether or not they can succeed and become stars is unknown.
- Dog - a business unit that features a little market share in an exceedingly mature trade. A dog might not need substantial money; however it ties up capital that would higher be deployed elsewhere. Unless a dog has another strategic purpose, it ought to be liquidated if there's very little prospect for it to realize market share.

The BCG matrix provides a framework for allocating resources among totally different business units and permits one to check several business units at a look. However, the approach has received some negative criticism for the subsequent reasons:

The link between market share and profitableness is questionable since increasing market share are often terribly dear.

The approach could hyperbolize high growth, since it ignores the potential of declining markets. The model considers market rate to be a given. In observe the firm is also ready to grow the market.

These problems square measure self-addressed by the GE / McKinsey Matrix, that considers market rate to be only 1 of the many factors that build associate trade engaging, and that considers relative market share to be only 1 of the many factors describing the competitive strength of the business unit.

In consulting engagements with General electrical within the 1970's, McKinsey & Company developed a nine-cell portfolio matrix as a tool for screening GE's giant portfolio of strategic business units (SBU). This business screen became called the GE/McKinsey Matrix and is shown below:

- The GE / McKinsey matrix is analogous to the BCG growth-share matrix in this it maps strategic business units on a grid of the trade and therefore the SBU's position within the trade. The GE matrix but, makes an attempt to boost upon the BCG matrix within the following 2 ways:
- The GE matrix generalizes the axes as "Industry Attractiveness" and "Business Unit Strength" whereas the BCG matrix uses the market rate as a proxy for trade attractiveness and relative market share as a proxy for the strength of the business unit.
- The GE matrix has 9 cells vs. four cells within the BCG matrix. Industry attractiveness and business unit strength square measure calculated by initial distinguishing criteria for every, crucial the worth of every parameter within the criteria, and multiplying that worth by a weight issue. The result's a quantitative live of trade attractiveness and therefore the business unit's relative performance in this trade.

INDUSTRY ATTRACTIVENESS

The vertical axis of the GE / McKinsey matrix is trade attractiveness that is set by factors like the following:

- Market rate
- Market size
- Demand variability
- Trade profitableness
- Trade competition
- International opportunities
- Macro environmental factors (PEST)

Each issue is assigned a weight that's applicable for the trade. The trade attractiveness then is calculated as follows:

Industry attractiveness = issue value1 x issue weighting1

+ issue value2 x issue weighting2/

+ issue valueN x issue weightingN

BUSINESS UNIT STRENGTH

The horizontal axis of the GE / McKinsey matrix is that the strength of the business unit. Some factors that may be wont to confirm business unit strength include:

- Market share
- Growth in market share
- Whole equity
- Marketing access
- Production capability
- Profit margins relative to competitors

The business unit strength index is often calculated by multiplying the calculable worth of every issue by the factor's weight, as in hot water trade attractiveness.

PLOTTING THE KNOWLEDGE

Each business unit are often delineate as a circle premeditated on the matrix, with the knowledge sent as follows:

- Market size is drawn by the scale of the circle.
- Market share is shown by exploitation the circle as a chart.
- The expected future position of the circle is delineate by means that of associate arrow.

The following is associate example of such a representation:

The shading of the on top of circle indicates a thirty eighth market share for the strategic business unit. The arrow within the upward left direction indicates that the business unit is projected to realize strength relative to competitors, which the business unit is in associate trade that's projected to become additional engaging. The tip of the arrow indicates the long run position of the middle purpose of the circle.

STRATEGIC IMPLICATIONS

Resource allocation recommendations are often created to grow, hold, or harvest a strategic business unit supported its position on the matrix as follows:

- Grow robust business units in engaging industries, average business units in engaging industries, and robust business units in average industries.
- Hold average businesses in average industries, robust businesses in weak industries, and weak business in engaging industries.
- Harvest weak business units in unattractive industries, average business units in unattractive industries, and weak business units in average industries.
- There square measure strategy variations inside these 3 teams. as an example, inside the harvest cluster the firm would be inclined to quickly divest itself of a weak business in associate unattractive trade, whereas it would perform a phased harvest of a mean business unit within the same trade.

CONCLUSION

The above analysed models and theories of strategic management have their own ways of evaluating and assessing the developmental stages in the market shares. The methods and theories have one thing common which is identified as achieving the market share while being protective of the present market share by adopting innovation and value additive drives.

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