

Notes of Strategic Analysis

1. **Strategic Group Mapping** :- A strategic group is a collection of firms in an industry with similar approaches and market positions. It is a technique for displaying the different markets and competitive positions that the rival firms are occupied in the industry. An industry includes only one strategic group when all sellers have identical strategies and comparative market positions.
2. **Industry** :- It is collection of firms whose products or services have homogenous attributes or close substitute that they compete for the same buyer.
3. **Key success factors** :- It refer those things that affect the ability of the members of industry to prosper in the market like strategy elements, products attributes, resources, competencies, and business outcomes. These all factors spell the difference between profit and loss and then ultimately between success or failure.
4. **Elements of situational analysis** :- There are five elements are which describe as under :

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- **Environmental Factors :-** There are two environmental factors, one is internal and another is external factors. What external and internal environmental factors are there that needs to know for situational analysis.
- **Opportunities and issue analysis :-** Current opportunities that are available in the market and threats that the business is face in current or in future are to be examined.
- **Competitive Situation :-** Analyze the competitors of the organization and also need to know that who are they? And what are their competitive advantages?
- **Distribution Situation :-** Examined the distribution channels are available in the environment and how the products are moving through channels.
- **Product situation :-** Examined the details about current products and also its parts like core products or services support the products.

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5. **SWOT Analysis** :- It is a tool used by the organization for generating strategic options for the firm for future. It refer to analysis of strength, weakness, opportunities and threats facing by the firm. Strength and weakness are the elements of internal environment whereas the opportunities and threats are the elements of external environment. These four elements are describe as under :

- **Strength** :- It is an *inherent capability of the organization* which it can use to obtain strategic advantage over the competitors.
- **Weakness** :- It is an *inherent limitation of the organization* which create strategic disadvantage of the firm.
- **Opportunity** :- It refer as *favourable condition of the external environment* which enable to strength the position of the organization.
- **Threats**:- It refer as an *unfavourable condition of the external environment* which create risk or damage for the position of the organization.

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6. **TOWS Analysis** :- Through the use of SWOT analysis firms are able to analysis their strength, weakness, threats and opportunities. But the firms are not able find strategic alternatives through matching of strength and weakness with opportunity and threat. So *Heinz wehrich* developed matrix called TOWS matrix. It is considered as an improvement over the SWOT analysis. The benefit of this is that the firm can identify the relationship between factors and selecting suitable strategies on the basis of that. Through the use of this there are four alternatives or strategic options are identified which explained as follow :

- **SO (Maxi – Maxi)** :- It is a position that any firm is try to achieve. Firm have internal strength as well as opportunities in the external environment. The firms can use its strength for accepting and capitalize the opportunities.
- **ST (Maxi – Mini)** :- It is a position in which firms are trying to minimize the external threats through its internal strength.

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- **WO (Mini – Maxi) :-** In this position the firms are trying to accept opportunities as maximum as possible for removing the internal weakness.
- **WT (Mini – Mini) :-** It is the position that any firm would try to avoid. An organizations who faces threats from external environment and also have weakness are struggle for survival.

7. **B.C.G Matrix :-** In the present era, the main problem is to allocate the resources between different SBUs of the company. In the year of 1970, boston consulting group developed model for managing portfolio of different units or products lines. It can be used to determine what priorities are to be given in portfolio of business unit. It may be useful for classification business units or SBUs and selecting appropriate strategy among them. It is powerful tool for strategic planning, analysis and choice. Using this approach company can classify its different businesses on two dimensions (i) *Market Share* (ii) *Market Growth Rate*. Through these dimensions different types of businesses represented either

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products or SBUs and they have been depicted by meaningful metaphors which are explained as under :

- **Stars** :- Stars are the products or SBUs that are *growing continuously*. They need heavy investment to maintain their position and finance. They have best opportunities form the external environment.
- **Cash Cows** :- Cash cows are *low growth, high market share* businesses or SBUs. They generate cash and have low cost. They need less investment to maintain their market share. In the long time, stars are become cash cows.
- **Question Marks** :- Question marks are *low market share business in high growth market*. They require enough cash to maintain their market share. They need heavy investment. Generally the growth rate is high so increasing it may be easier so it is dependent upon the firm that to convert themselves into star or cash cows.
- **Dogs** :- Dogs are *low growth low market share business or products*. They may have enough cash to maintain to maintain themselves. But

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they do not have long future. It should minimise by divesting or liquidating the firm.

8. **Ansoff's Market Growth matrix :-** This matrix is developed by *Igor ansoff*. It is useful tool that help business to decide their product or growth strategy. With the use of this matrix the firms are can get fair idea about how growth depend upon the market in new or its existing products in both new or existing market. There are four dimensions are classified which are as follow:

- **Market Penetration :-** It refer to a growth strategy where the business focuses on selling the *existing products into existing market*. It is achieved by the making more sales to present customers without changing products in any major way.
- **Market Development :-** It refer to a growth strategy where the business tries to sell *existing products into new market*. It is a strategy for making the growth by identifying and developing new market for the existing products of the company.

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- **Product Development** :- It refer to a growth strategy where business are desired to introduced *the new products into existing market*. It is strategy by offering modified or new products into existing market for increasing demand.

- **Diversification** :- It refer to a growth strategy where business are offering *new products into new market*. It is a strategy for starting or acquiring businesses outside the company's current products or market. As conditions change overtime, the firms are needs to change its growth strategies.

9. **Product life cycle** :- It is an *S shaped curve* which exhibit the relationship of sale with respect for a time for product that passes through the four successive stages of introduction, growth, maturity and decline.

- **Introduction stage** :- It is the first stage of any product where the competition is negligible and prices are high and also markets are limited.

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- **Growth Stage :-** It is the second phase of product life cycle in which demand expanding continuously and prices are also fall. Competition is also increased and on the other hand market is also expanding. In this customer have knowledge about product and also they have interest to purchasing it.
- **Maturity Stage :-** It is the third phase of product life cycle in which demand of the product is reduce because of competition gets tough and market is also stabilized. In this stage profit comes down of an organization because of stiff competition with the entrance of many new firms. In this stage organization have aim to stable in the market and maintaining existing market share.
- **Decline Stage :-** It is the fourth and last stage of the product life cycle in which profit and sale of the product is decline due to new product replacing the existing one. So combinations of strategies are implemented to stay in the market either by diversification or retrenchment.

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10.**Experienced Curve** :- It is a curve to which explained the efficiency gained by the workers through repetitive productive work. It is based on phenomenon that unit cost decline as the firm accumulate experienced in terms of volume of production. It is resulted from variety of factors such as learning effects, product redesign and technological improvements in production. This concept is useful for a number of areas in strategic management. It also used to build market share and discourage competition.

The above notes are prepared for the revision of chapter 3 which is very interesting and very easy. I hope that the above notes are helpful to you in your exam. All the Best to All of You. Thank You. In case of any queries contact me through my mail id: divyeshpithava@rediffmail.com.