



Param Puja Dr. Babasaheb Ambedkar Smarak Samiti's
Dr. Ambedkar Institute of Management Studies & Research

Deeksha Bhoomi, Nagpur - 440010 (Maharashtra State) INDIA

NAAC Accredited with 'A' Grade

Tel: +91 712 6521204, 6521203, 6501379

Email: info@daimsr.in

MBCIII - 1 – Strategic Management

Unit III

Programme Educational Objectives

Our program will create graduates who:

- 1. Will be recognized as a creative and an enterprising team leader.*
- 2. Will be a flexible, adaptable and an ethical individual.*
- 3. Will have a holistic approach to problem solving in the dynamic business environment.*

Logistics and Supply Chain Management

Course Outcomes

- CO1-Given the adverse business situation the student manager would be able to develop a strategy to sustain in the said business.
- CO2-Given the values of Critical Success Factors such as Sales, Market Share, ROI of an organization the student manager will be able to compare the same with market and compile the strengths & weakness chart for that organization.
- CO3-Given the vision document of an organization the student manager will be able to justify the role of the vision document in formulating the strategy for that organization.

- CO4-Given the business environment, the student manager will be able to construct the Porter's Five Forces model which is likely to guide formulation of a strategy in given business environment.
- CO5-Given a condition of competitive environment, the student manager will be able to suggest suitable growth Strategy for the firm.
- CO6-Given the reasons for an organization to go global, the student manager will be able to analyze various challenges likely to be faced by an organization while formulating global strategy.

20. General Electric Matrix

GE Strategic Business-planning

GE Nine Cell Matrix

Industry Attractiveness	Business Unit Strength		
	Strong	Average	Weak
High	<i>Grow</i>	<i>Grow</i>	<i>Hold</i>
Medium	<i>Grow</i>	<i>Hold</i>	<i>Harvest</i>
Low	<i>Hold</i>	<i>Harvest</i>	<i>Harvest</i>

Every SBU must operate as a independent profit center

For Internal Circulation and Academic Purpose Only

GE Strategic Business-planning

Industry Attractiveness Index

- Market Size
- Market Growth
- Industry Profitability
- Competition
- Nature of Demand
- Cost Structure

Business Strengths

- Companies RMS (Relative Market Share)
- Price Competitiveness
- Product Quality
- Customer & Market Knowledge
- Sales Effectiveness
- Geographic Advantage

General Electric Matrix (GE- MODEL)

- ❖ This analyses
 - a) Long term industry attractiveness &
 - b) Business competitive strength
- ❖ These factors are assigned weights/ratings based on their **perceived importance**
- ❖ **Perceived need** refers to an individual's own judgment about the necessity or benefits of a particular service, and assessed **need** is based on a clinical or screening evaluation of an individual's level of impairment in a specific area pertinent to each service
- ❖ The business is rated on each of the factors
- ❖ A combined rating is determined (Factor importance rating combined with the business rating on the factor)

DETERMINANTS OF INDUSTRY ATTRACTIVENESS:

- ❖ Market growth & size
- ❖ Industry profitability
- ❖ Seasonality
- ❖ Porters Five forces
- ❖ Economies of scale
- ❖ Technology and capital requirements

CONTINUE

COMPETITIVE STRENGTH DETERMINANTS:

- ❖ Relative Market share
- ❖ Production capacity
- ❖ Company image
- ❖ Profit margins
- ❖ R & D Strength
- ❖ Market & Customer knowledge
- ❖ Employee commitment
- ❖ Technological capabilities
- ❖ ETC.

GE MODEL USAGE

- ❖ The 9 cell Matrix is broadly divided into 3 broad categories
- ❖ The favourable category (1,2,3)
 - The organization should build and grow these businesses
- ❖ The medium investment allocation priorities
 - They should simply be maintained – No expansion No Divesting
- ❖ Business that are not doing well
 - These should be harvested & divested
- ❖ A **harvest** strategy is a **business** plan for reducing or altogether eliminating investment in a particular product, brand or line of **business** due to a **company's** management determining the required expense to attempt to boost sales any further would not be justified by likely future revenues from the product or brand line.

Harvest & Divest

- ❖ A **harvest** strategy is a **business** plan for reducing or altogether eliminating investment in a particular product, brand or line of **business** due to a **company's** management determining the required expense to attempt to boost sales any further would not be justified by likely future revenues from the product or brand line.
- Two main **types of harvest strategies**: outright sales and cutting costs to increase profits.
- ❖ Example: Venture capitalists or private equity investors, to reap the profit from their investment.
- ❖ **Divestment**, also known as **divestiture**, is the opposite of an investment, and it is the process of selling an asset for either financial, social or political goals.
- ❖ Assets that can be **divested** include a subsidiary, business department, real estate, equipment and other property.
- Types are There are three **types** of retrenchment **strategies** – Turnaround **Strategies**, **Divestment Strategies** and Liquidation **strategies**. (**Downsizing business scope**)
- Example: Tata Communications is the best example of divestment strategy. It has started the process of selling its data center business to reduce its debt burden.

Reference Books

- Strategic Management, Robbins and Pierce II, 12th Edition, Tata Mcgraw Hills.
- Strategic Management, Planning and Implementation, Thompson and Thompson, Francis and Taylor London