Corporate Portfolio Analysis

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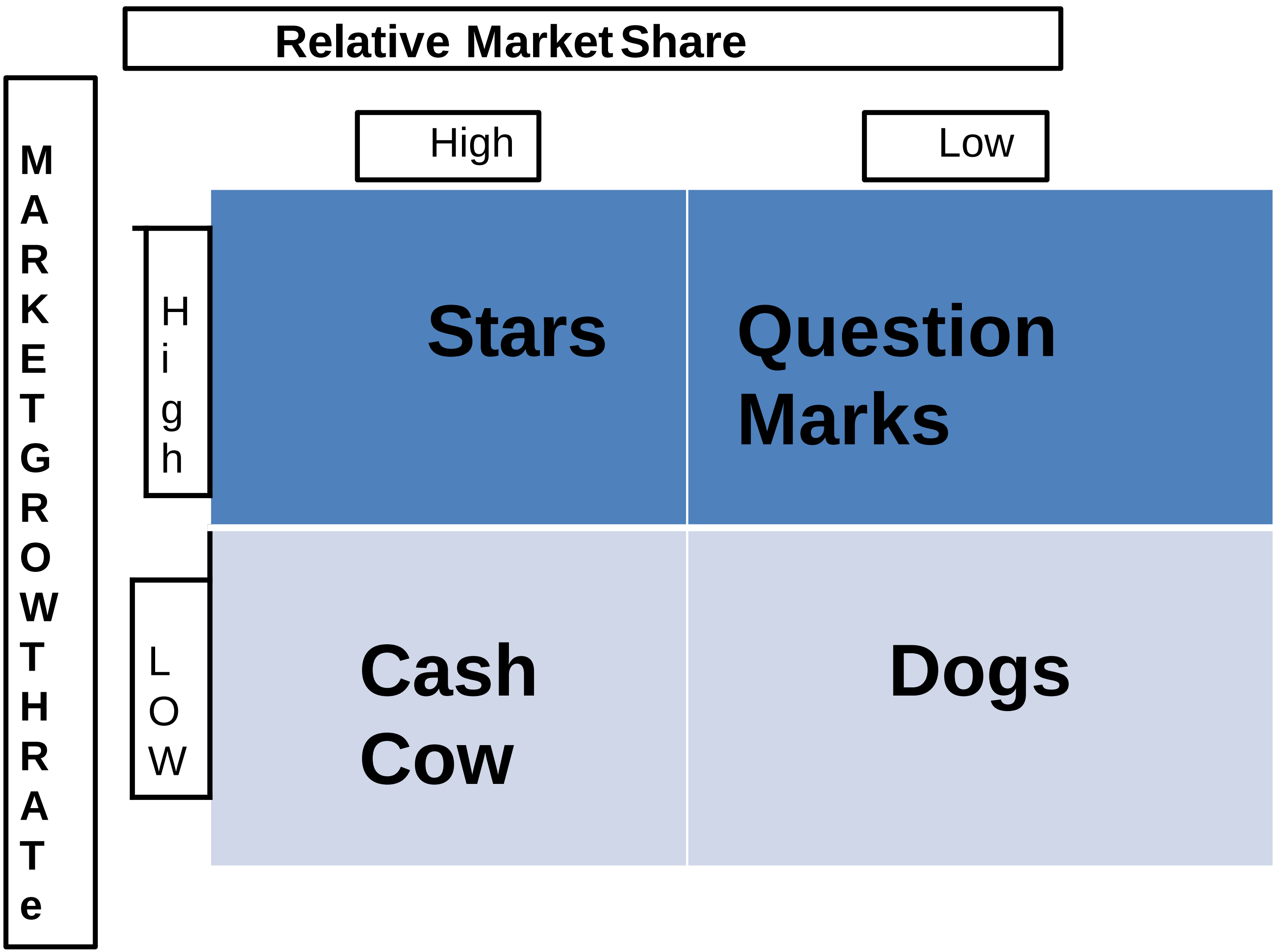
- Corporate portfolio analysis is a set of techniques that help strategist in taking strategic decision regard to individual product or business in a firm's portfolio.
- Each segment of a company's product line is evaluated including sales, market share, cost of production and potential market strength.

Techniques

- BCG (Boston Consulting Group) Matrix
- GE(General Electric’s 9 cell) model
- Hofer’s Product Market Evolution
- Directional Policy & the strategic position

BCG Matrix


Relative Market Share
High
Low
MARKETGROWTHRATe
High
Low
Stars
Question Marks
Cash Cow
Dogs

BCG Matrix

It is a four cell matrices developed by BCG, USA.

It provides a graphic representation for an organization to examine different businesses in it's portfolio on the basis of their related market share and industry growth rates.

It is a comparative analysis of business potential and the evaluation of environment.

BCG Matrix

BCG matrix has four cells, with horizontal axis representing relative market share and the vertical axis denoting market growth rate.

The mid point of relative market share is set at 1.0. If all the SBU's are in the same industry, the average growth rate of the industry is used. While if all the SBU's are in different industries, then the mid point is set at the growth rate for the economy.

Stars

The four cells of the matrix have been called as stars, cash cows, question marks and Dogs.

Stars High growth & high market share business which may or may not be self- sufficient in terms of cash flow.

Companies generally perceives expansion strategy to establish a strong competitive position.

Cash Cows

- **Cash Cows** Large market share in a mature, slow growing industry. It generate large amount of cash. The cash generation exceeds the reinvestment.
- Business can adopt mainly stability strategies & limited expansion strategy.
- The cash generated by cash cow is reinvested in stars & question mark.

Question Marks

- **Question Marks** Low relative market share & high growth industry business. Business require large amount of cash to maintain or gain market share.
- Question mark therefore may become stars if enough investment is made or they may become Dog if ignored.

Dogs

- **Dogs** Weak market share in low growth market business.
- They neither generate nor require a large amount of cash.
- In terms of PLC, the dogs are usually products in late maturity or a declining stage.
- Retrenchment strategies are normally suggested for this stage.

GE(General Electric’s 9 cell) model

GE nine-box matrix is a strategy tool that offers a systematic approach for the multi business enterprises to prioritize their investments among the various business units. It is a framework that evaluates business portfolio and provides further strategic implications.

Each business is appraised in terms of two major dimensions

– Market Attractiveness and

-- Business Strength.

If one of these factors is missing, then the business will not produce desired results. Neither a strong company operating in an unattractive market, nor a weak company operating in an attractive market will do very well

GE Nine Cell Matrix

Industry Attractiveness	Business Unit Strength		
	Strong	**Average**	**Weak**
High	*Grow*	*Grow*	*Hold*
Medium	*Grow*	*Hold*	*Harvest*
Low	*Hold*	*Harvest*	*Harvest*

Zones

Green Zone: Suggests you to ‘go ahead’, to grow and build, pushing you through expansion strategies. Businesses in the green zone attract major investment.

Yellow Zone: Cautions you to ‘wait and see’ indicating hold and maintain type of strategies aimed at stability.

Red Zone: Indicates that you have to adopt turnover strategies of divestment and liquidation or rebuilding approach.

Advantages

- Helps to prioritize the limited resources in order to achieve the best returns.
- The performance of products or business units becomes evident.
- It’s more sophisticated business portfolio framework than the BCG matrix.
- Determines the strategic steps the company needs to adopt to improve the performance of its business portfolio.

Disadvantages

- Needs a consultant or an expert to determine industry’s attractiveness and business unit strength as accurately as possible.
- It is expensive to conduct.
- It doesn’t take into account the harmony that could exist between two or more business units.

The Ansoff's Matrix

- Also called the Product/Market Expansion Grid,
- It is a tool used by firms to analyze and plan their strategies for growth.
- The matrix shows four strategies that can be used to help a firm grow and also analyzes the risk associated with each strategy.
- The Ansoff Matrix is a two-by-two depiction of the options open to organisations if they wish to improve revenue or profitability.

The Ansoff's Matrix

The four strategies of the Ansoff Matrix

Market Penetration: This focuses on increasing sales of existing products to an existing market.

Product Development: Focuses on introducing new products to an existing market.

Market Development: This strategy focuses on entering a new market using existing products.

Diversification: Focuses on entering a new market with the introduction of new products.