

Contemporary Strategic Management

TOPIC 6:

STRATEGIC ANALYSIS - INTERNAL ENVIRONMENT ^{2/2}

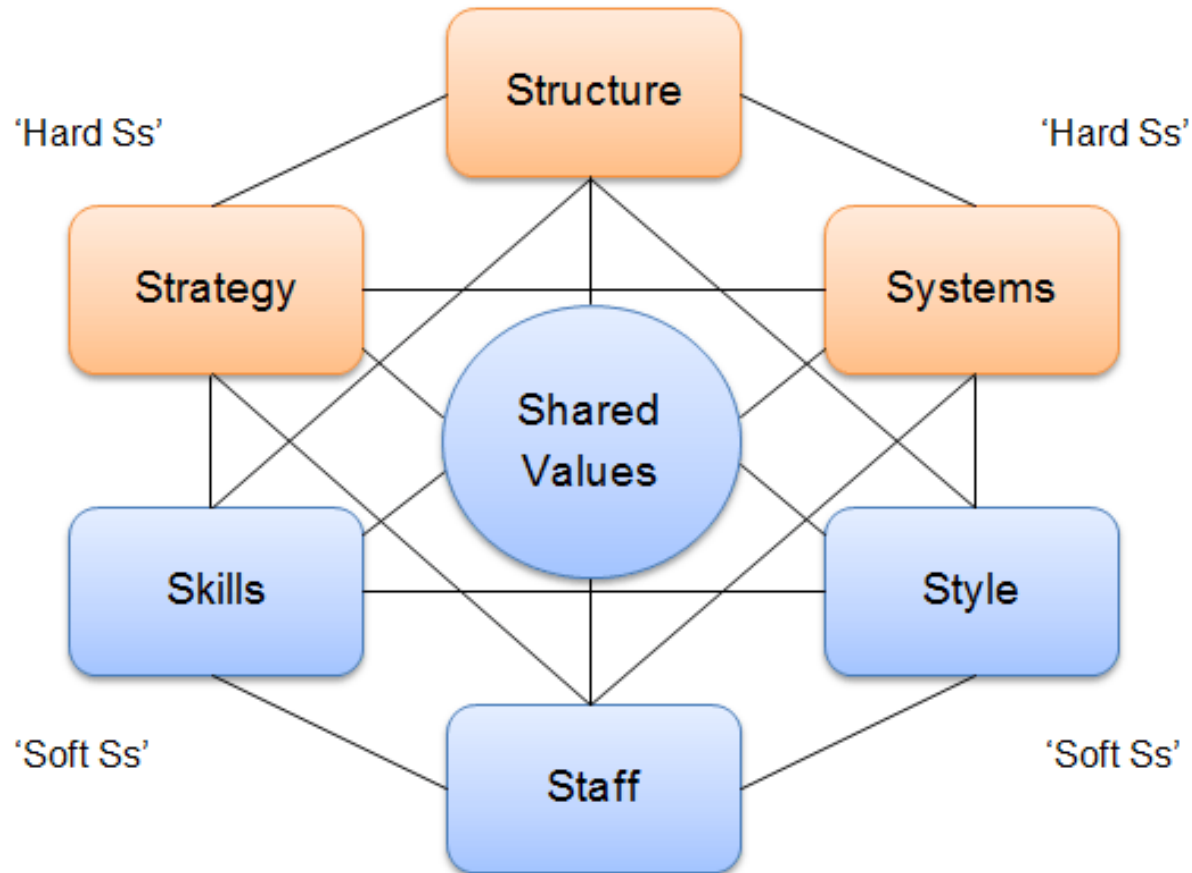
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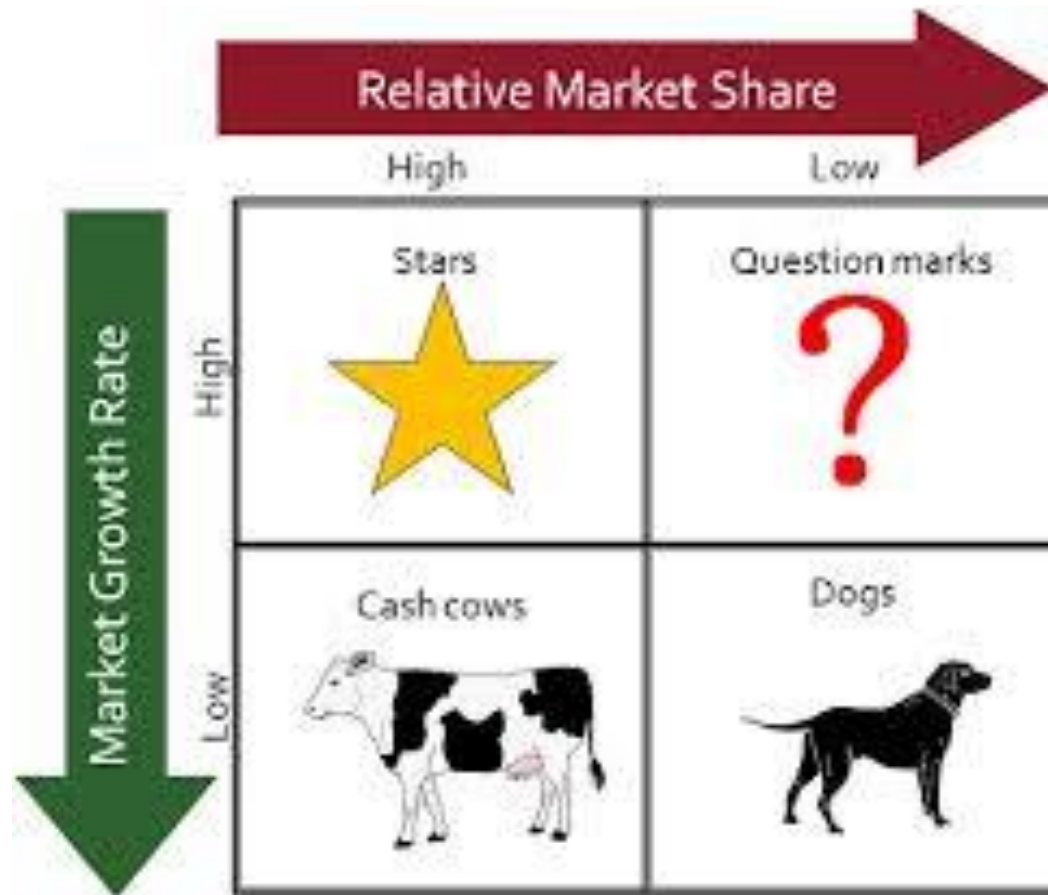
7S Model

- analyses firm's organizational design by looking at 7 key internal elements:
 - Strategy
 - Structure
 - Systems
 - Shared values
 - Style
 - Staff
 - Skills

7S Model



Boston Consulting Group matrix (BCG)



BCG



- Question marks

- products based in high-growth market but with low relative market share
- usually new products requiring high financial investments to increase market share and sustain the growing market
- ? = CEO has to decide whether there is the potential to become a *star* and therefore is worth the capital investment necessary to achieve this or whether to leave the market

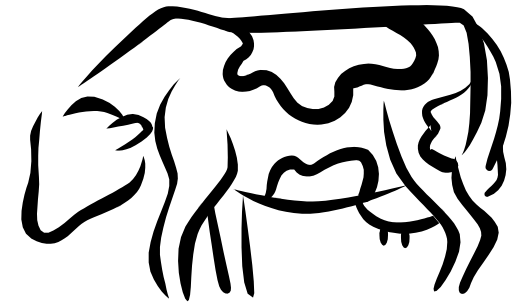
BCG

- Stars

- products based in high-growth market with high relative market share
- offer excellent long-term profit and growth opportunities X require high financial investments to sustain the growing market



BCG



- Cash cows

- products based in low-growth industries but with high market share and a strong competitive position
- products in the stage of maturity (! the stage of decline will follow !)
- don't require financial investments
 - products generate incomes of the company
- used to finance the stars and the question marks

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- Dogs

- products based in low-growth market with low market share
- products in stage of decline or are not taken up by the market
- should be drawn off the market



BCG

- Relative market share

market share of the company's product (in %)

$$\text{RMS} = \frac{\text{market share of the company's product (in \%)}}{\text{market share of the largest rival company (in \%)}} \times 100$$

market share of the largest rival company (in %)

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- Relative market share - example

Product A = $40/30$ = 1,33

Product B = $15/15$ = 1

Product C = $15/20$ = 0,75

Product D = $4/40$ = 0,1

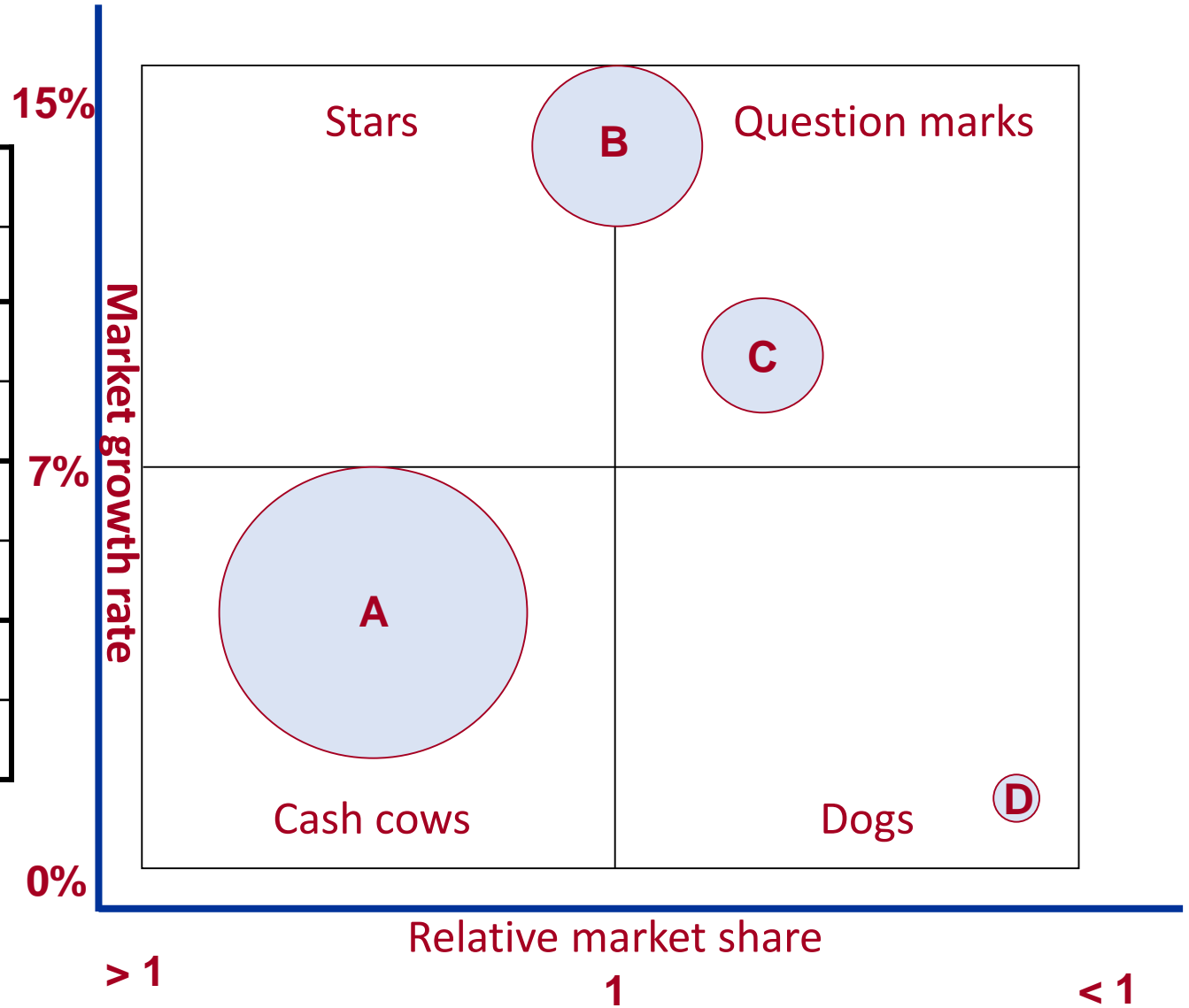
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- Relative market growth rate - example

	A		B		C		D	
2020	?	6-7 %	?	10-15%	?	8 %	?	1 %
2019	3.800	6 %	1.200	14 %	1.000	18 %	2.310	2 %
2018	3.600	6 %	1.050	17 %	850	42 %	2.265	3 %
2017	3.400	3 %	900	0 %	600	100 %	2.205	5 %
2016	3.300	3 %	900	13 %	300	---	2.100	5 %
2015	3.200	---	800	---	0	---	2.000	---

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A		
1,33	6-7%	1600
B		
1	10-15%	200
C		
0,75	8%	162
D		
0,1	1%	1



BCG

- Interpretation of the example

Product A: main source of income (this should be invested in product B) - the product probably will be soon in stage of decline – after it should be replaced (by B???)

Product B: requires investments to sustain the market position, potential *cash cow*

BCG

- Interpretation of the example

Product C: requires high investments, potential *star* (do we increase the production of B, draw C off the market or create *cash cow* from both of them???)

Product D: draw off the market, it doesn't bring us any profit, only consumes investments