

# [Market-driven organizations](https://assignbuster.com/market-driven-organizations/)

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The value of BCG Matrix is that it offers strategic insights on how the company can achieve both growth and profitability (Henderson and Zakon 1980). The fundamental advantage that a multi-business organization possesses is the ability to transfer cash from businesses that are highly profitable but have limited potential for growth to others that offer expectations of sustained future growth and profitability.

The integrative portfolio management approach enables executives to achieve greater results than the sum of its parts. To obtain this synergistic result, resource allocation must be centralized and designed to produce a balanced portfolio in terms of the generation and uses of cash (Hambrick et al. 1982). Hax and Majluf (1983) explain that the BCG matrix is helpful in three ways. First, the graphic display offers a powerful and compact picture of the strengths of the businesses in the firm’s portfolio.

Second, it identifies the capacity of each business to generate cash and also reveals its requirements for cash; this it assists in balancing the firm’s cash flows. And third, because it shows the distinct characteristics of each business unit, it can suggest strategic directions for each business. In terms of cash flows, the BCG Matrix offers a picture of each business in relation to its cash generation and cash requirement characteristics.

In associating relative market share with experience curve, it is implicit that those businesses holding stronger shares will also enjoy higher profitability and, consequently, higher cash generation. Conversely, businesses in industries with high growth rates require higher levels of cash for their future development (Davidson 1985). In terms of strategic direction, the BCG Matrix illustrates the desired strategic trust for each business, which can be to: (1) to increase market share, to defend market share, to harvest, and (4) to withdraw or divest.

Although realizing these strategic thrusts would require spelling out complex programs for each business, expressed in terms of market share, the BCG Matrix convey a basic message for positioning a business in a competitiveenvironment(Davidson 1985). Recommendations Clearly, Harrah’s Entertainment growth strategy is acquisition of established brands to further improve its current brand portfolio seems to be working as revenues have increased by 56 percent in 2005. Harrah’s top three best-recognized brands are strategic assets that allows the company to differentiate its service offerings to customer.

While Harrah is clearly still reliant on the United States market for its revenues, the company have set up casinos overseas such as Conrad Windsor (Ontario, Canada) and Conrad Resort & Casino (Uruguay) to expand its current operations. With its strong financial position, Harrah’s Entertainment still has ample cash to expand in the next five years. Should management be able to realize the integration of Caesars and Imperial Palace to Harrah’s Entertainment operations, financial position should further improve and strengthen its market position.

## References

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