

Shell directional policy market for portfolio analysis

Business



SHELL DIRECTIONAL POLICY MARKET FOR PORTFOLIO ANALYSIS Strategic Implications Unlike the Boston Matrix in which one is looking for a balance of business opportunities spread amongst growth and maturing markets, in the Directional Policy Matrix the concentration of business opportunities should be focused around the 'Leader' domain, i.

e. the top left hand area of the matrix. Under such circumstances, one is looking at a strong portfolio where the company is focusing on markets that are attractive and where it is acknowledged as being competitive. Note that metrics relating to market size and growth may not feature in the 'Segment Attractiveness' axis; it is quite possible for segments labelled as 'Cash Cows' (bottom right hand corner in the Boston Matrix) to appear in this domain. The closer an opportunity is towards the bottom and the right hand corner of the matrix, the weaker the company is in relation to market requirements, and the less attractive the Market. If the company finds significant elements of the portfolio in the 'Divest' domain it needs to think quickly about what actions to take, e.

. to what extent should they be 'milked' and how quickly should they be disposed of. Despite its potential, an opportunity labelled as a 'Question Mark' product in the Boston Matrix could fall into this domain if it is not strategically aligned with the holding group! Areas in between are more problematic. The company will need to make a strategic decision on whether or not to keep the segment in the portfolio, the amount to invest in it, whether it can ever hope to achieve market leadership, the extent to which it should generate cash and so on. Generally speaking the further towards the top and right, the more likely one is to invest, as one is approaching markets <https://assignbuster.com/shell-directional-policy-market-for-portfolio-analysis/>

that the company would deem as attractive, despite the fact that the company is not yet competitive.

Conversely those opportunities towards the bottom and left are in areas that the company would find less attractive, and should be managed diligently for cash. Leader Domain The strategy should be to maintain this position. At certain stages this may imply a need for resources which cannot be met entirely from funds generated by the product, (e. . resources to expand capacity), although earnings should be above average. Try Harder Domain The implication is that the product can be moved towards the leadership box by judicious application of resource.

In these circumstances the company should certainly consider making available resources in excess of what the product can generate. Growth Domain Investment should be made to allow the product to grow with the market. Generally, the product will generate sufficient cash to be self-financing and should not be making demands on other corporate cash resources. Double or Quit Domain Tomorrow's breadwinners among today's R&D projects may come from this area. Putting the strategy simply, those with the best prospects should be selected for full backing and development; the rest should be abandoned. Proceed with Care Domain In this position, some investments may be justified but major investments should be made with extreme caution.

Cash Generator Domain A typical situation in this matrix area is when the company has a product that is moving towards the end of its lifecycle and is being replaced in the market by other products. No finance should be

allowed for expansion, and so long as it is profitable, the opportunity should be used as a source of cash for other areas. Every effort should be made to maximize profits since this particular activity has no long-term future.

Phased Withdrawal Domain A product with an average to weak position with unattractive market prospects or a weak position with average market prospects is unlikely to be earning any significant amounts of cash. The indicated strategy is to realize the value of the assets on a controlled basis to make the resources available for redeployment elsewhere.

Divestment Domain Products falling in this area will probably be losing money, not necessarily every year, but the losses in bad years will outweigh the gains in good years. It is unlikely that management will be surprised by specific activities falling into this area since poor performance should already be known.