



# **STRATEGIC POSITION & ACTION EVALUATION (SPACE)**

**PRESENTATION BY**

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# INTRODUCTION

Competition is at the heart of each organization's success or failure, and it defines the appropriateness of its operations.

Managers must assess the marketing potential in each business and product market, as well as the organization's specific skills or strengths in comparison to its rivals, while establishing a plan.

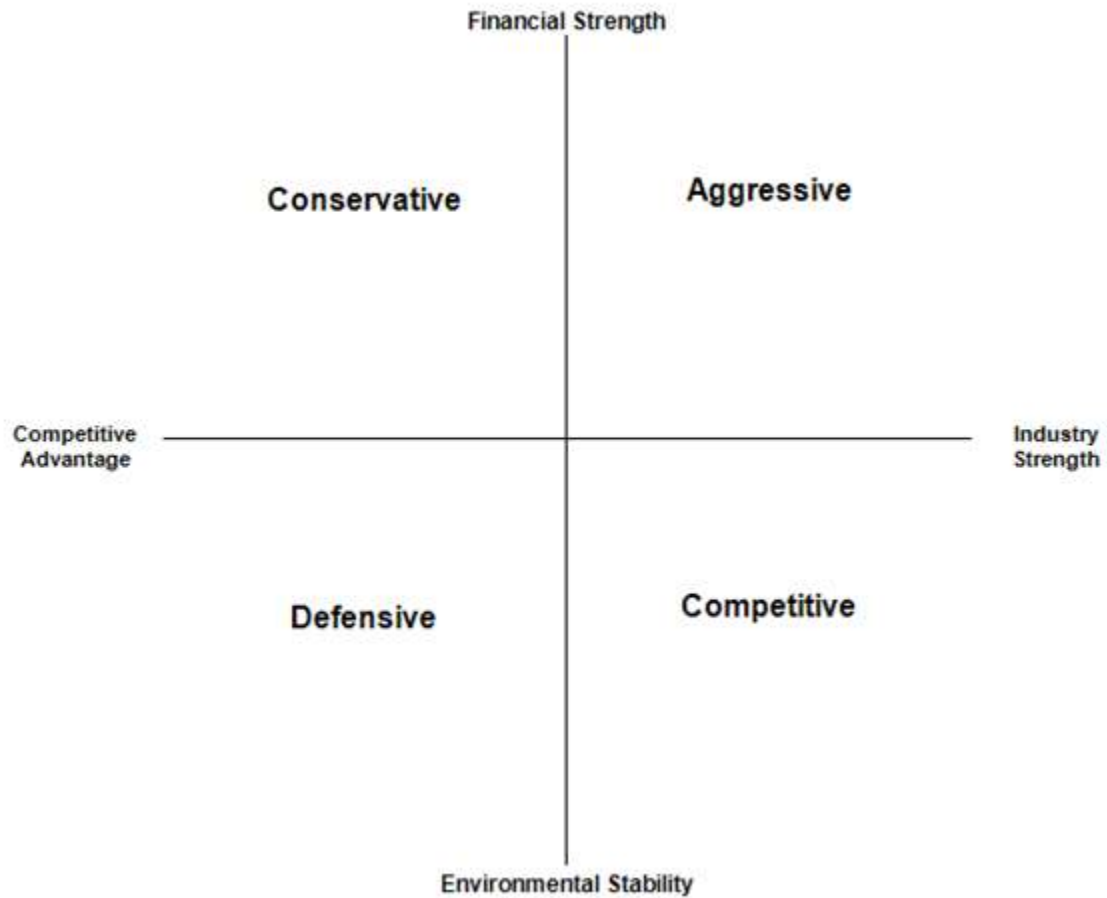
The SPACE matrix is a useful tool for assessing an organization's competitive position.

# Definition

- Upper management can make strategic decisions and plan more easily with the help of a SPACE Analysis. Strategy, Position, Action, and Evaluation (SPACE) is an abbreviation for SPACE.
- The external and internal surroundings of organisations play a significant role in the SPACE Analysis. The analysis is usually expressed as a matrix.
- SPACE Analysis is a scientific approach used in the management and planning of important resources.

# SPACE MATRIX

- The top of the Y-axis says 'Financial Strength' (FS), and the bottom of the Y-axis shows 'Environmental Stability' (ES). Competitive Advantage (CA) is represented on the left of the X-axis, while Industry Attractiveness (IA) is shown on the right.
- The research allows for the development of a commercial strategy for the project. The inspection checks both the inner and outside situations, allowing for the development of a suitable approach.



# SPACE\_MATRIX

- The study enables to build a notion for the company's best business plan. The study evaluates the internal and external environments and enables for the development of a strategic plan. The external environment is described using two criteria:

# ENVIRONMENTAL STABILITY (ES)

It is influenced by the following sub-factors:

- **Technological change-** Technology evolves at a quick pace and has a huge influence on businesses. Businesses will have to adapt to new technology in order to survive.
- **Inflation rate-** Inflation, for example, refers to rising costs and money losing value, both of which have an impact on businesses.
- **Demand volatility-** Businesses find it more difficult to make significant investments when the Stock market changes (volatility).

# ENVIRONMENTAL STABILITY (ES)

- **Price range of Competition products-** It will be difficult for firms to thrive if competitor protections are significantly less expensive.
- **Price elasticity of demand-** The more a product's demand reacts to a price change, the more difficult it is for enterprises to set a constant price.
- **Pressure from the Substitutes-** The more easily a product or service may be replaced, the more difficult it is for enterprises in that market to compete.



# Industry Attractiveness (IA)

It is influenced by the following subfactors:

- **Growth potential-** Companies would do well to engage on this adventure if there is predictability and a prospect for development by operating in a certain sector.
- **Profit potential-** This is closely tied to the possibility for expansion; increasing earnings make it a sensible option to concentrate on a certain industry.
- **Financial stability-** If entering a new market puts a company's finances in jeopardy, it's best to remain away.

# Industry Attractiveness (IA)

- **Complexity of entering the industry-** The more difficult it is to break into a certain industry, the lesser the odds of success. Some (foreign) industries, for example, have stringent restrictions and permissions.
- **Labour productivity-** In what ways would joining a new market/sector result in the creation of new jobs? The more productive the workforce, the more appealing the sector becomes.

# The inside environment is also described by two criteria

- **Competitive advantage (CA)** – Market share, product quality, product lifecycle, innovation cycle, customer loyalty, and vertical integration are all elements that impact it.
- **Financial strength (FS)** – Return on investment, liquidity, debt ratio, available vs necessary capital, cash flow, and inventory turnover are all factors that impact it.

# SPACE Analysis Matrix

- After that, a score is assigned to each of these sub-factors. Financial strength and industry attractiveness are graded on a scale of 0 to 6, with higher ratings indicating a better position.
- Competitive advantage and environmental stability, on the other hand, are given a score ranging from -6 to 0, with lower values indicating a less advantageous or weak position.

# Four Postures of Space Matrix Analysis

1. **Aggressive** – In general, businesses in this quadrant operate in a stable industry with a competitive edge that can be protected. Newcomers, on the other hand, are always a threat. Mergers, acquisitions, and product diversification should all be used to increase market share.
2. **Competitive** – This quadrant represents businesses that are in lucrative areas but lack the financial resources to capitalise on them. As a result, the short-term strategy should concentrate on generating money, increasing profitability, or pursuing a merger with a cash-rich company.

# Four Postures of Space Matrix Analysis

**3.Conservative** – Businesses with a moderate to good financial position that operate in stable areas with limited room for expansion. A focus should be the creation of new products and/or the identification of more profitable markets.

**4.Defensive** – The least desirable situation for a firm to be in. In a highly competitive industry, many firms fundamentally lack a solid competitive edge. Selling non-competitive assets is favoured in order to focus available resources on possibly more profitable prospects.

# Constructing a SPACE matrix

- On the X axis, estimated values for the competitive advantage (CA) and industry strength (IS) dimensions are shown to create the SPACE matrix. The environmental stability (ES) and financial strength (FS) variables are used to create the Y axis. The following seven stages can be used to generate the SPACE matrix.
- Step 1: Select a set of factors to assess competitive advantage (CA), industry strength (IS), environmental stability (ES), and financial strength (FS).

# Constructing a SPACE matrix

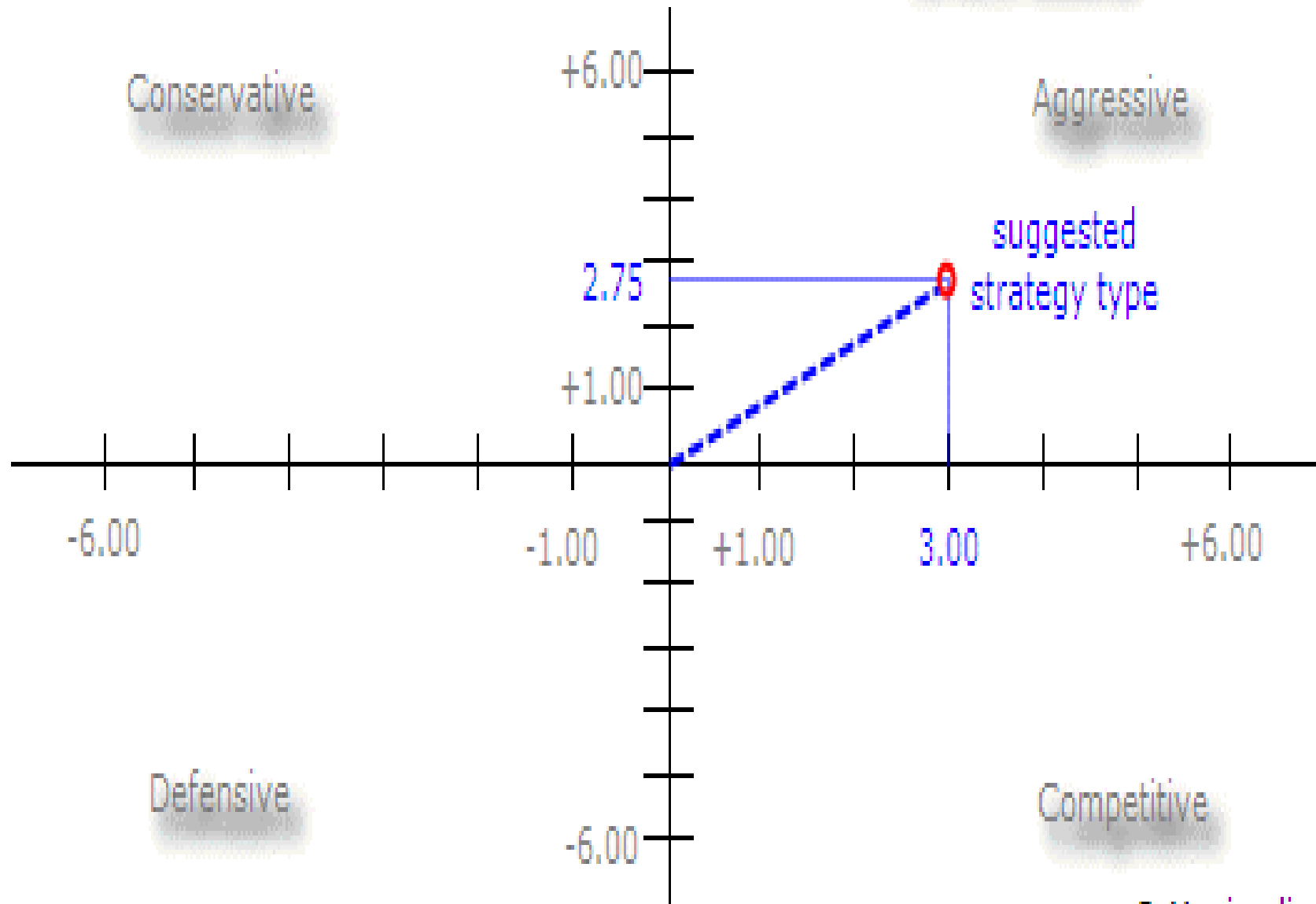
- Step 2: Use a rating system appropriate to each dimension to rate individual aspects. On a scale of -6 (worst) to -1 (best), rate competitive advantage (CA) and environmental stability (ES) (best). Use a rating range of +1 (worst) to +6 (best) to rate industrial strength (IS) and financial strength (FS) (best).
- Step 3: Calculate the averages for competitive advantage (CA), industrial strength (IS), environmental stability (ES), and financial strength (FS) (FS).
- Step 4: On the SPACE matrix, plot the data from step 3 on the proper axis for each dimension.



# Constructing a SPACE matrix

- Step 5: Combine the average scores for the dimensions of competitive advantage (CA) and industry strength (IS). On the SPACE matrix, this will be your last point on axis X.
- Step 6: To determine your end point on the axis Y, add the average scores for the SPACE matrix environmental stability (ES) and financial strength (FS) aspects.
- Step 7: Find the spot where your X and Y points connect. Draw a line from the SPACE matrix's centre to your point. The sort of approach the corporation should adopt is shown in this sentence.

## SPACE matrix



# Conclusion

- Following the identification of an organization's proper posture, this aids in the identification of the organization's generic competitive strategy. As a result, the business's strategic focus is defined.
- Following that, the organization's managers or top management can determine the right strategy on which their organisation should focus in order to attain the strategic target and goal.
- As a result, we can conclude that the Strategic Position and Action Evaluation Matrix will assist the organisation in formulating its strategic goals and determining its competitive position in the market.



**THANK YOU**