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Professional Paper

THE VERY ESSENTIALS OF STRATEGIC MANAGEMENT TOOLS

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Abstract
The focus of strategic management is company performance. As noted by Barney one of the main objectives of corporate strategy is performance improvement. Although research has proven that strategic management has a positive impact on overall company performance, on fortunately many businesses have failed in implementing strategic management tools. Without any doubt, one of the main objectives of businesses worldwide is to achieve and maintain a competitive advantage, therefore one of the main duties of strategic management is to identify means and ways to achieve and maintain competitive advantage. Although, this is the case for businesses in the developed world, the issue whether managers in the Republic of North Macedonia utilize the tools and means provided by strategic management remains unanswered in full. If this is the case than another issue arises. The one of the correlations between strategic management tools and means on one side and competitive advantage on the other. This paper strives to provide a short descriptive analysis of some of the main tools of strategic management, in hope that it will sparkle an interest among managerial structures in the country and region to implement such tools for the greater benefit and better future of their companies.
Keywords: Strategic management, strategic tools and means, competitive advantage.

1. Introduction to strategic management

Strategic management is concerned with the character and direction of the enterprise as a whole. It is concerned with basic decisions about what the enterprise is now, and what it is to be in the future. It determines the purpose of the enterprise. It provides the framework for decisions about people, leadership, customers or clients, risk, finance, resources, products, systems, technologies, location, competition, and time. It determines what the enterprise should be capable of achieving, and what it will not choose to do. It will determine whether and how the organization will add value, and what form that added value should take (Morden, 2007, pp. 14-15).Strategic management can be viewed as a set of theories, frameworks, tools and techniques designed to explain the factors underlying the performance of organizations and to assist managers in thinking, planning and acting strategically. In simple terms, it is a vehicle through which a business can review past performance and, more importantly, determine future actions geared towards achieving and sustaining superior performance (Campbell *et al,* 2002, pp.14).

Strategic management consists of the analyses, decisions, and actions an organization undertakes in order to create and sustain competitive advantages. This definition captures two main elements that go to the heart of the field of strategic management. First, the strategic management of an organization entails three ongoing processes: analyses, decisions, and actions. Strategic management is concerned with the analysis of strategic goals (vision, mission, and strategic objectives) along with the analysis of the internal and external environment of the organization. Next, leaders must make strategic decisions. These decisions, broadly speaking, address two basic questions: What industries should we compete in? How should we compete in those industries? These questions also often involve an organization’s domestic and international operations. And

last are the actions that must be taken. Decisions are of little use, of course, unless they are acted on. Firms must take the necessary actions to implement their strategies. This requires leaders to allocate the necessary resources and to design the organization to bring the intended strategies to reality. Second, the essence of strategic management is the study of why some firms outperform others (Dess *et al,* 2014, pp.7).

Table 1. Three perspectives on strategic management (Enz, 2010, pp.6)

	Traditional perspective	Resource based view	Stakeholder view
Origin	Economics, other business disciplines, and consulting firms	Economics, distinctive competencies, and general management capability	Business ethics and social responsibility
View of firm	An economic entity	A collection of resources, skills, and abilities	A network of relationships among the firm and its stakeholders
Approach to strategy formulation	Situation analysis of internal and external environments leading to formulation of mission and strategies	Analysis of organizational resources, skills, and abilities Acquisition of superior resources, skills, and abilities	Analysis of the economic power, political influence, rights, and demands of various stakeholders
Source of competitive advantage	Best adapting the organization to its environment by taking advantage of strengths and opportunities and overcoming weaknesses and threats	Possession of resources, skills, and abilities that are valuable, rare, and difficult to imitate by competitors	Superior linkages with stakeholders leading to trust, goodwill, reduced uncertainty, improved business dealings, and ultimately higher firm performance

Strategic management consists of the decisions and actions used to formulate and implement strategies that will provide a competitively superior fit between the organization and its environment, to enable it to achieve organizational objectives. It can also be described as the process of management needed to enable an organization to move from where it is now to where it wants to be in the future. It is about a sense of direction and aligning this with an organization's aims (Hannagan, 2002, pp 3).

Gluek, Kauffman and Walleck introduce a generally accepted and cited model according to which companies go through four stages of strategic management (Glueck *et al,* 1982):

- Basic financial planning: Managers initiate serious planning when they are requested to propose the following year's budget. Projects are proposed on the basis of very little analysis, with most information coming from within the firm.
- Forecast-based planning: As annual budgets become less useful at stimulating long-term planning, managers attempt to propose five-year plans. At this point they consider projects that may take more than one year. In addition to internal information, managers gather any available environmental data—usually on an ad hoc basis—and extrapolate current trends five years into the future.

- Externally oriented (strategic) planning: Frustrated with highly political yet ineffectual five-year plans, top management takes control of the planning process by initiating strategic planning. The company seeks to increase its responsiveness to changing markets and competition by thinking strategically. Planning is taken out of the hands of lower-level managers and concentrated in a planning staff whose task is to develop strategic plans for the corporation. Consultants often provide the sophisticated and innovative techniques that the planning staff uses to gather information and forecast future trends.
- Strategic management: Realizing that even the best strategic plans are worthless without the input and commitment of lower level managers, top management forms planning groups of managers and key employees at many levels, from various departments and workgroups. They develop and integrate a series of strategic plans aimed at achieving the company's primary objectives. Strategic plans at this point detail the implementation, evaluation, and control issues. Rather than attempting to perfectly forecast the future, the plans emphasize probable scenarios and contingency strategies. It should be noted that one of the main elements in strategic management is strategic planning. In fact there are authors that perceive strategic planning and strategic management to be synonyms as well as there are many authors who perceive strategic planning to be an important part, but still a part of strategic management.

2. Several tools of strategic management

2.1. Pest/Pestel/Pestle

There are several models for microenvironment analysis, almost all building up from the PEST analysis, an analysis including political, economic, socio - cultural and technological factors. They include amongst others the PESTEL analysis that is the analysis of political, economic, socio-cultural technological, environmental and legal factors and the PESTLE analysis that is the analysis of political, economic, socio-cultural technological, legal and environmental factors.

In fact PEST analysis at its core is usually attributed to Francis Aguilar and his 1967 "Scanning the Business Environment" in which he introduced a framework of economic, technical, political and social factors (ETPS framework). In the years that followed many renaming of the framework were done, but PEST prevailed for some reason. During the last decade PESTEL and PESTLE variations of the framework have gained in significance. The PESTEL analysis includes six main components of the general environment, as presented in table 2.

Table 2. The Six Components of the Macro-Environment Included in a PESTEL Analysis (Gamble *et al,* 2015, pp.39-40

Component	Description
Political factors	These factors include political policies and processes, including the extent to which a government intervenes in the economy. They include such matters as tax policy, fiscal policy, tariffs, the political climate, and the strength of institutions such as the federal banking system. Some political factors, such as bailouts, are industry-specific. Others, such as energy policy, affect certain types of industries (energy producers and heavy users of energy) more than others
Economic conditions	Economic conditions include the general economic climate and specific factors such as interest rates, exchange rates, the inflation rate, the unemployment rate, the rate of economic growth, trade deficits or surpluses, savings rates, and per capita domestic product. Economic factors also include conditions in the markets for stocks and bonds, which can affect consumer confidence and discretionary income. Some industries, such as construction, are particularly vulnerable to economic downturns but are positively affected by factors such as low interest rates. Others, such as discount retailing, may benefit when general economic conditions weaken, as consumers become more price-conscious.
Sociocultural forces	Sociocultural forces include the societal values, attitudes, cultural factors, and lifestyles that impact businesses, as well as demographic factors such as the population size, growth rate, and age distribution. Sociocultural forces vary by locale and change over time. An example is the trend toward healthier lifestyles, which can shift spending toward exercise equipment and health clubs and away from alcohol and snack foods. Population demographics can have large implications for industries such as health care, where costs and service needs vary with demographic factors such as age and income distribution.
Technological factors	Technological factors include the pace of technological change and technical developments that have the potential for wide-ranging effects on society, such as genetic engineering and nanotechnology. They include institutions involved in creating knowledge and controlling the use of technology, such as R&D consortia, university-sponsored technology incubators, patent and copyright laws, and government control over the Internet. Technological change can encourage the birth of new industries, such as those based on nanotechnology, and disrupt others, such as the recording industry.
Environmental forces	These include ecological and environmental forces such as weather, climate, climate change, and associated factors like water shortages. These factors can directly impact industries such as insurance, farming, energy production, and tourism. They may have an indirect but substantial effect on other industries such as transportation and utilities.
Legal and regulatory factors	These factors include the regulations and laws with which companies must comply such as consumer laws, labor laws, antitrust laws, and occupational health and safety regulation. Some factors, such as banking deregulation, are industry-specific. Others, such as minimum wage legislation, affect certain types of industries (low-wage, labor-intensive industries) more than others.

2.2. Porter's five forces

The five forces model introduced by Michael Porter introduces five forces affecting competition: industry rivalry, market entry, substitutability, suppliers and customers.

The threat of substitute products or services is a measure of the ease with which customers can find substitutes for an industry's products or services. If customers can easily find substitute products or services, the competition will be greater and profits will be lower. If there are few or no substitutes, competition will be weaker and profits will be higher. (Williams, 2011, pp. 203) Substitutes limit the potential returns of an industry by placing a ceiling on the prices that firms in that industry can profitably charge. The more attractive the price/performance ratio of substitute products is, the tighter the lid on an industry's profits. Identifying substitute products involves searching for other products or services that can perform the same function as the industry's offerings. This may lead a manager into businesses seemingly far removed from the industry. For example, the airline industry might not consider video cameras much of a threat. But as digital technology has improved and wireless and other forms of telecommunication have become more efficient, teleconferencing has become a viable substitute for business travel. That is, the rate of improvement in the price–performance relationship of the substitute product (or service) is high (Dess *et al,* 2014, pp.53).
The threat of new entry in the market depends on the presence and intensity of certain entry barriers, such as (Johnsson *et al,* 2005, pp. 81-82):

- Economies of scale. In some industries, economies of scale are extremely important: for example, in the production of automobiles, in distribution (e.g. brewing) or in sales and marketing (e.g. advertising costs for fast-moving consumer goods).
- The capital requirement of entry. The capital cost of entry will vary according to technology and scale.
- Access to supply or distribution channels. In many industries manufacturers have had control over supply and/or distribution channels. Sometimes this has been through direct ownership (vertical integration); sometimes just customer or supplier loyalty.
- Customer or supplier loyalty. It is difficult for a competitor to break into an industry if there are one or more established operators that know the industry well and have good relationships with the key buyers and suppliers.
- Experience. Early entrants into an industry gain experience sooner than others. This can give them advantage in terms of cost and/or customer/supplier loyalty.
- Expected retaliation. If an organisation considering entering an industry believes that the retaliation of an existing firm will be so great as to prevent entry, or mean that entry would be too costly, this is also a barrier.
- Legislation or government action. Legal restraints on competition vary from patent protection, to regulation of markets (e.g. pharmaceuticals and insurance), through to direct government action.
- Differentiation. By differentiation is meant the provision of a product or service regarded by the user as higher perceived value than the competition.

Byers become more powerful as contrasted to the organization, in particular Barney & Hesterly, 2012, pp.46-47):

- First, if a firm has only one buyer, or a small number of buyers, these buyers can be very threatening.

- Second, if the products or services that are being sold to buyers are standard and not differentiated, then the threat of buyers can be greater.
- Third, buyers are likely to be more of a threat when the supplies they purchase are a significant portion of the costs of their final products. In this context, buyers are likely to be very concerned about the costs of their supplies and constantly on the lookout for cheaper alternatives.
- Fourth, buyers are likely to be more of threat when they are not earning significant economic profits. In these circumstances, buyers are likely to be very sensitive to costs and insist on the lowest possible cost and the highest possible quality from suppliers.
- Finally, buyers are more of a threat to firms in an industry when they have the ability to vertically integrate backward. In this case, buyers become both buyers and rivals and lock in a certain percentage of an industry's sales.

Competitive rivalry becomes more intense in the following cases:

- Numerous or equally balanced competitors. Slow industry growth necessitating the need to maintain or expand market share. High fixed or storage costs pressuring firms to fill available capacity.
- Lack of differentiation or switching costs where products or services are viewed as commodities.
- Capacity increased in large increments requiring economies of scale. Can be disruptive to the industry’s supply/demand balance and creates the risk of overcapacity and price cutting.
- Diverse competitors, such as foreign entrants or sole proprietor businesses that are indifferent to subnormal rates of return on invested capital, cause rivalry. Foreign firms may “dump” product on a market and smaller owner-operator firms managing a “life-style” company simply don’t need the return rate required of larger established firms.
- High strategic stakes where market presence and market share rivalry create the potential to sacrifice profitability.

Table 3. Bargaining power of byers and suppliers according to Porter (Porter, 1980)

Bargaining power of buyers	Bargaining power of suppliers
▪ It concentrates or purchases large volumes relative to supplier sales. ▪ The products purchased represent a significant fraction of the buyer’s costs or purchases. ▪ The products it purchases are standard or undifferentiated. ▪ It faces few switching costs. ▪ It earns low profits creating the incentive to lower purchasing costs. ▪ It poses a threat of backward integration whereby the buyer places pressure on suppliers by suggesting that they will create the product or perform the service in-house. ▪ The products being bought are unimportant [have little to do with] to the quality of the buyer’s products or services. ▪ The buyer has full information, giving it greater negotiating leverage.	▪ It is dominated by only a few companies and is more concentrated than the industry in which it sells. ▪ It does not contend with substitute products. ▪ The industry of the buyer is not an important customer of the supplier. ▪ The supplier’s product is critical to the buyer’s business. ▪ The supplier’s group’s products are differentiated or have high switching costs. ▪ The supplier (or supplier group) poses a threat of forward integration, meaning it can potentially enter the buyer’s business.

2.3. The VRIO framework

The VRIO model has to do with organizational resources in terms of their specifics. When it comes to resources it should be noted that the resources category is quite broad since in fact it includes everything that gets spent in the production process. Their importance is quite obvious having in mind that, resources include almost everything starting from the physical assets and up to the available human resources of an organization. In fact VRIO is an acronym for the main characteristics that resources should have that is: valuable, rare, difficult to imitate and organized.

Table 4. The VRIO framework (Barney&Hesterly, 2015, pp.89-100)

Question	Short explanation
Value	The question of value is: "Do resources and capabilities enable a firm to exploit an external opportunity or neutralize an external threat?" If a firm answers this question with a "yes," then its resources and capabilities are valuable and can be considered strengths. If a firm answers this question with a "no," its resources and capabilities are weaknesses. There is nothing inherently valuable about a firm's resources and capabilities. Rather, they are only valuable to the extent that they enable a firm to enhance its competitive position. Sometimes, the same resources and capabilities can be strengths in one market and weaknesses in another.
Rarity	If a particular resource or capability is controlled by numerous competing firms, then that resource is unlikely to be a source of competitive advantage for any one of them. Instead, valuable but common (i.e., not rare) resources and capabilities are sources of competitive parity. Only when a resource is not controlled by numerous other firms is it likely to be a source of competitive advantage. These observations lead to the question of rarity: "How many competing firms already possess particular valuable resources and capabilities?"
Imitability	Valuable and rare organizational resources, however, can be sources of sustained competitive advantage only if firms that do not possess them face a cost disadvantage in obtaining or developing them, compared to firms that already possess them. These kinds of resources are imperfectly imitable. These observations lead to the question of imitability: "Do firms without a resource or capability face a cost disadvantage in obtaining or developing it compared to firms that already possess it?"
Organization	A firm's potential for competitive advantage depends on the value, rarity, and imitability of its resources and capabilities. However, to fully realize this potential, a firm must be organized to exploit its resources and capabilities. These observations lead to the question of organization: "Is a firm organized to exploit the full competitive potential of its resources and capabilities?"

2.4. Value chain analysis

The value chain framework was provided by Michael Porter in his 1985 'Competitive Advantage: Creating and Sustaining Superior Performance". In fact Porter introduces the idea that the competitive advantage stems from different types of activities performed by the company and therefore a new systematic way of analyzing such activities, which is the value chain, is needed. The value chain itself is a part of a larger stream that Porter names the value system.

The value chain breaks a firm down into nine activities. Five of these—inbound logistics, operations, outbound logistics, marketing (which includes distribution and sales), and service—are primary in the sense that they represent a flow of goods and services from inputs (inbound logistics) to the sale and service of final outputs (marketing and service). The remaining four activities—technology development (in products and processes), procurement, human resource management, and infrastructure (which includes the organization's reporting structure and its

accounting and control systems)—are secondary in that they support, or are found in, each of the primary activities (Walker & Madsen, 2016, pp.142).

The value chain displays total value, and consists of value activities and margin. Value activities are the physically and technologically distinct activities a firm performs. These are the building blocks by which a firm creates a product valuable to its buyers. Margin is the difference between total value and the collective cost of performing the value activities. Margin can be measured in a variety of ways. Every value activity employs purchased inputs, human resources (labor and management), and some form of technology to perform its function. Each value activity also uses and creates information, such as buyer data (order entry), performance parameters (testing), and product failure statistics. Value activities may also create financial assets such as inventory and accounts receivable, or liabilities such as accounts payable (Porter, 1985, pp.39). The value activities themselves are divided into primary and supportive activities.
The primary activities include (Porter, 1985, pp.39-40):

- Inbound Logistics. Activities associated with receiving, storing, and disseminating inputs to the product, such as material handling, warehousing, inventory control, vehicle scheduling, and returns to suppliers.
- Operations. Activities associated with transforming inputs into the final product form, such as machining, packaging, assembly, equipment maintenance, testing, printing, and facility operations.
- Outbound Logistics. Activities associated with collecting, storing, and physically distributing the product to buyers, such as finished goods warehousing, material handling, delivery vehicle operation, order processing, and scheduling.
- Marketing and Sales. Activities associated with providing a means by which buyers can purchase the product and inducing them to do so, such as advertising, promotion, sales force, quoting, channel selection, channel relations, and pricing.
- Service. Activities associated with providing service to enhance or maintain the value of the product, such as installation, repair, training, parts supply, and product adjustment

The support activities in the value chain include the following (Porter, 1985, 40-43):

- Procurement. Procurement refers to the function of purchasing inputs used in the firm's value chain, not to the purchased inputs themselves. Purchased inputs include raw materials, supplies, and other consumable items as well as assets such as machinery, laboratory equipment, office equipment, and buildings.
- Technology Development. Technology development consists of a range of activities that can be broadly grouped into efforts to improve the product and the process.
- Human Resource Management. Human resource management consists of activities involved in the recruiting, hiring, training, development, and compensation of all types of personnel. Human resource management supports both individual primary and support activities (e.g., hiring of engineers) and the entire value chain (e.g., labor negotiations). Human resource management affects competitive advantage in any firm, through its role in determining the skills and motivation of employees and the cost of hiring and training. In some industries it holds the key to competitive advantage.
- Firm Infrastructure. Firm infrastructure consists of a number of activities including general management, planning, finance, accounting, legal, government affairs, and quality management. Infrastructure, unlike other support activities, usually supports the entire chain and not individual activities.

Three steps should be considered when analyzing the corporate value chain (Wheelen*et al,* 2015, pp.170):

- Examine each product line's value chain in terms of the various activities involved in producing that product or service: Which activities can be considered strengths (core competencies) or weaknesses (core deficiencies)? Do any of the strengths provide competitive advantage and can they thus be labeled distinctive competencies?
- Examine the "linkages" within each product line's value chain: Linkages are the connections between the way one value activity (for example, marketing) is performed and the cost of performance of another activity (for example, quality control).
- Examine the potential synergies among the value chains of different product lines or business units: Each value element, such as advertising or manufacturing, has an inherent economy of scale in which activities are conducted at their lowest possible cost per unit of output. If a particular product is not being produced at a high enough level to reach economies of scale in distribution, another product could be used to share the same distribution channel.

2.5. SWOT Matrix

Since being first introduced by Albert Humphrey in the 1960's, SWOT analysis has grown to become one of the most often used tools in conducting strategic analysis, environmental analysis etc. In fact, SWOT is a two-by-two grid that includes analysis of both factors from the external and internal environment. The strength and weakness's derive from the analysis of the external while the opportunities and threats from the internal environment. A range of potential strengths and weaknesses are presented in table 5.

Table 5. Potential sources of strengths and weakness (Kourdi, 2003, pp.135)

Financial issues	**People issues**	**Operational issues**	**Product and market issues**
Cash flow and cash management	Quality (meaning the ability, experience and attitude) of managers and employees	Current product portfolio	Warehousing, transport and logistical factors
Financial structure	Concentration of skills and expertise (to what extent is the fate of the business in the hands of a talented few?)	Research and technical expertise, and the ability to develop popular new products	Distribution channels, including discount structures and dealership or franchise operations
Financial reporting systems	Levels of motivation	Market research systems	Pricing
Ability to raise capital	Rates of pay	Information management systems	Brand perception
Credit-control activities	Ability to attract and retain the best people	Supply chains	Customer service
Risk-management systems	Scope and effectiveness of training methods	Production lead times and efficiency	Overall market potential for the product
	Flexibility of people and their ability to adapt to changing situations	New processes that reduce costs and increase efficiency	Experience of the marketing mix (knowing which sales

			activities are most effective)
	Organizational culture: does it promote efficiency or frustrate it? Etc.	Stock control	

Strategic Positioning and Action Evaluation Matrix

The Strategic Positioning and Action Evaluation Matrix, most commonly known as the SPACE matrix was first introduces by Alan J. Rowe, Richard O. Mason, Karl E. Dickel, Richard B. Mann and Robert J. Mockler. This matrix is relatively easy to understand and implement. Is is a bit more complex but still in certain ways similar to the SWOT matrix.

It uses two internal dimensions, namely Financial Strength (FS) and Competitive Advantage (CA), and two external dimensions, namely Industry Strength (IS) and Environmental Stability (ES), to determine the organization's strategic posture in the market and determine its course of action. Each of these four dimensions includes several factors assessed individually during the analysis (Gürbüz, 2013). This matrix includes two internal factors that is financial strength and competitive advantage and two external factors that is environmental stability and industry strength (Sherafat *et al,* 2013):

- Financial strength: This criterion measures the organization's financial potency and includes several sub-criterions capital volume, pay-back period, investment, financial ratios, asset potency, and the trade risk-taking level.
- Competitive advantage: This criterion refers to the organizational competitive advantage and includes several sub-criterions such as market share, product and production quality, product life cycle, customer loyalty, technical knowledge, competitive capacity, and control on the product resources and distributors.
- Environmental stability: This criterion refers to stability of the environment that the organization operates in and includes several sub-criterions such as technological changes, market changes trend, inflation rate, competitors' products price, market entrance obstacles, competitive pressures, and price elasticity.
- Industry strength: This refers to the industry that the organization operates in and its characteristics and includes several subcriterions such as growth and profitability potency, financial stability, technological awareness, the used capital and resources, market entrance ease, and the used capacities.

Depending on the quadrant it falls in the organization according to this matrix should follow either an aggressive, a conservative, a defensive or a competitive strategy. Each of internal and external factors in the SPACE matrix has its own specific measures. Financial strength factor are measured by: Return on investment, leverage, liquidity, capital required, cash flow, ease of exit from market and risk involved in business. Competitive advantage factor are measured by: market share, product quality, product life cycle, customer loyalty, technological know-how and vertical integration. Industry Strength factor are measured by: growth capital, profit potential, financial stability, technological know-how, resource utilization, capital intensity, eases of entry into market. Environmental stability factor are measured by: technological change, rate of inflation, demand variability, barriers to entry into market, competitive pressure, price range of competing products (Fallah *et al, 2013)*.

2.6. Boston Consulting Group Matrix

The simplest and most publicized business portfolio matrix was developed by BCG and is known colloquially as the Boston Box. Each of the firm's businesses is plotted according to the growth rates of the industry or market and its own relative position in that industry. BCG was concerned to produce a framework whereby a range of SBUs could be managed according to their relative position on two axes: relative market share and market growth rate. A dividing-line between 'high' and 'low' market growth is arbitrarily set, the idea being to position the line so that businesses above it can be said to be in a growth phase, while those below are in a mature /saturation / declining phase. Similarly the dividing-line for relative market share should be positioned so that those businesses to the left are market leaders (though not necessarily *the* leader), while those to the right are in a training situation. (Salaman & Asch, 2003, pp.242).

BCG assumed that competitors with larger market shares would have the lowest costs and highest profits, and that in growing markets a company should try to capture most of the growth by growing faster than its competitors, so that when growth slowed down, it would emerge as the highest-share competitor. Based on these assumptions, the strategic implications of the BCG matrix were that cash from "cash cows" should be used to support selected "question marks" and to strengthen emerging "stars," the weakest "question marks" should be divested or liquidated, the company should exit from "dog" industries, and that the company should have a balanced portfolio of "stars," "cash cows," and "question marks." (Heracleous, 2003, pp.8).

Low market share, high growth products are the "question marks." They almost always require far more cash than they can generate. If cash is not supplied, they fall behind and die. Even when the cash is supplied, if they only hold their share, they are still pets when the growth stops. The question marks require large added cash investment for market share to be purchased. The low market share, high growth product is a liability unless it becomes a leader. It requires very large cash inputs that it cannot generate itself. The high share, high growth product is the "star." It nearly always shows reported profits, but it may or may not generate all of its own cash. If it stays a leader, however, it will become a large cash generator when growth slows and its reinvestment requirements diminish. The star eventually becomes the cash cow, providing high volume, high margin, high stability, security, and cash throwoff for reinvestment elsewhere. Pets are not necessary. They are evidence of failure either to obtain a leadership position during the growth phase, or to get out and cut the losses (https://www.bcg.com/publications/1970/strategy-the-product-portfolio.aspx).

3. Concluding remarks

The broad field of strategic management includes many techniques and approaches that have proven quite useful for companies in their strivings to achieve the much-needed competitive edge in contemporary conditions of doing business. Only a small portion of those tools, and at a very basic informational level are included in this papers that strives to serve as an introduction for the general business environment in the Republic of North Macedonia to the many benefits that can result from the proper implementation of such techniques as the SWOT, GE, BCG, IE and many other matrices developed by authors and experts from the field. The authors have conducted field research regarding the level of implementation of such techniques among companies in different regions in the Republic of North Macedonia over the years and have always come to the conclusion

that there is a serious lack of understanding of the tools themselves as well as the benefits they result in on the long run. Therefore, this paper and similar papers like this one, should be only perceived as a first step in attempting to inform the local business community regarding the many tools of strategic management that have been developed and well established elsewhere but not enough in our country.

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