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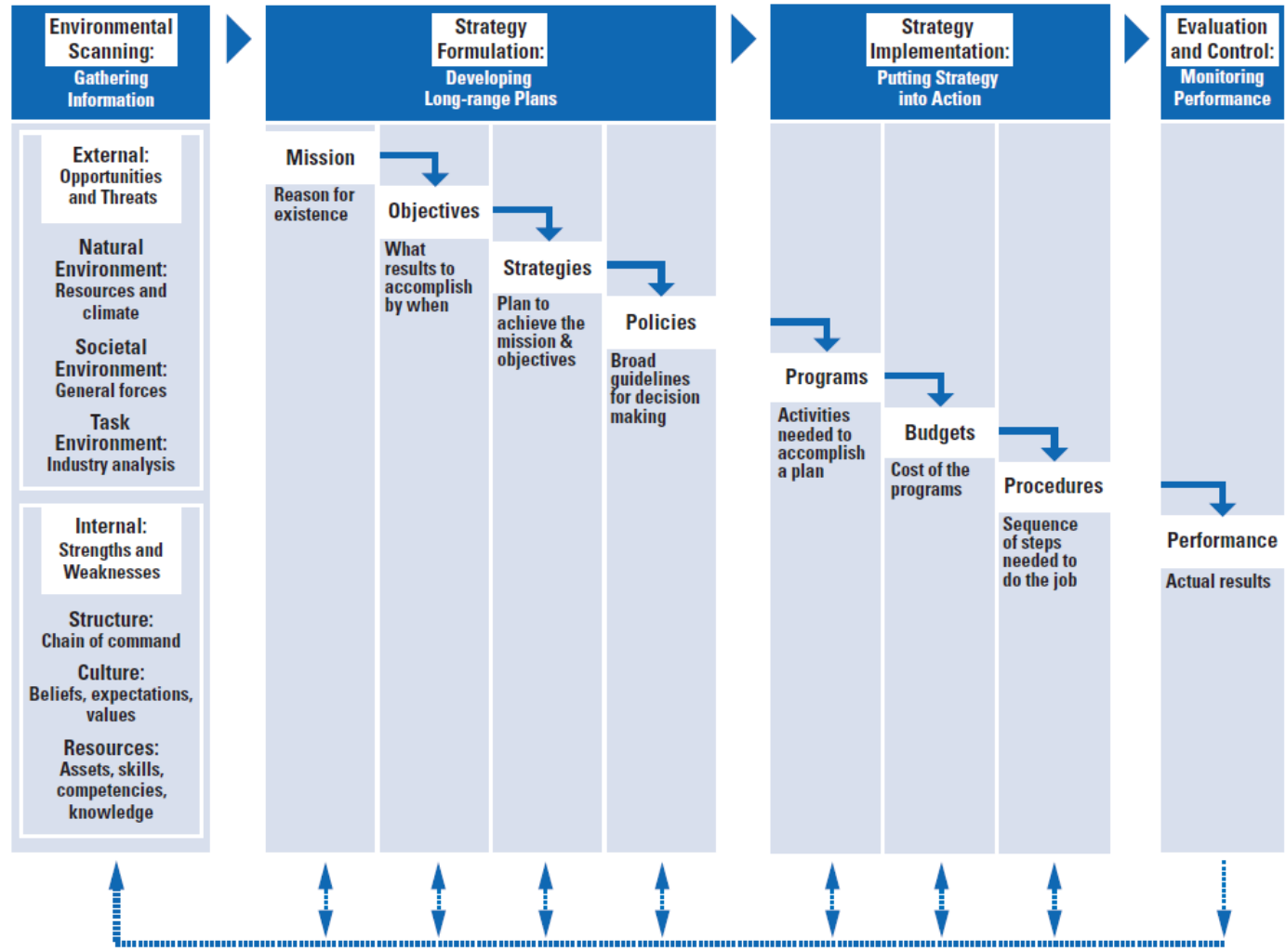
SCHOOL OF BUSINESS
ADMINISTRATION IN KARVINA

Environmental Scanning: Market Analysis and Internal Analysis

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BASIC ELEMENTS OF THE STRATEGIC MANAGEMENT PROCESS

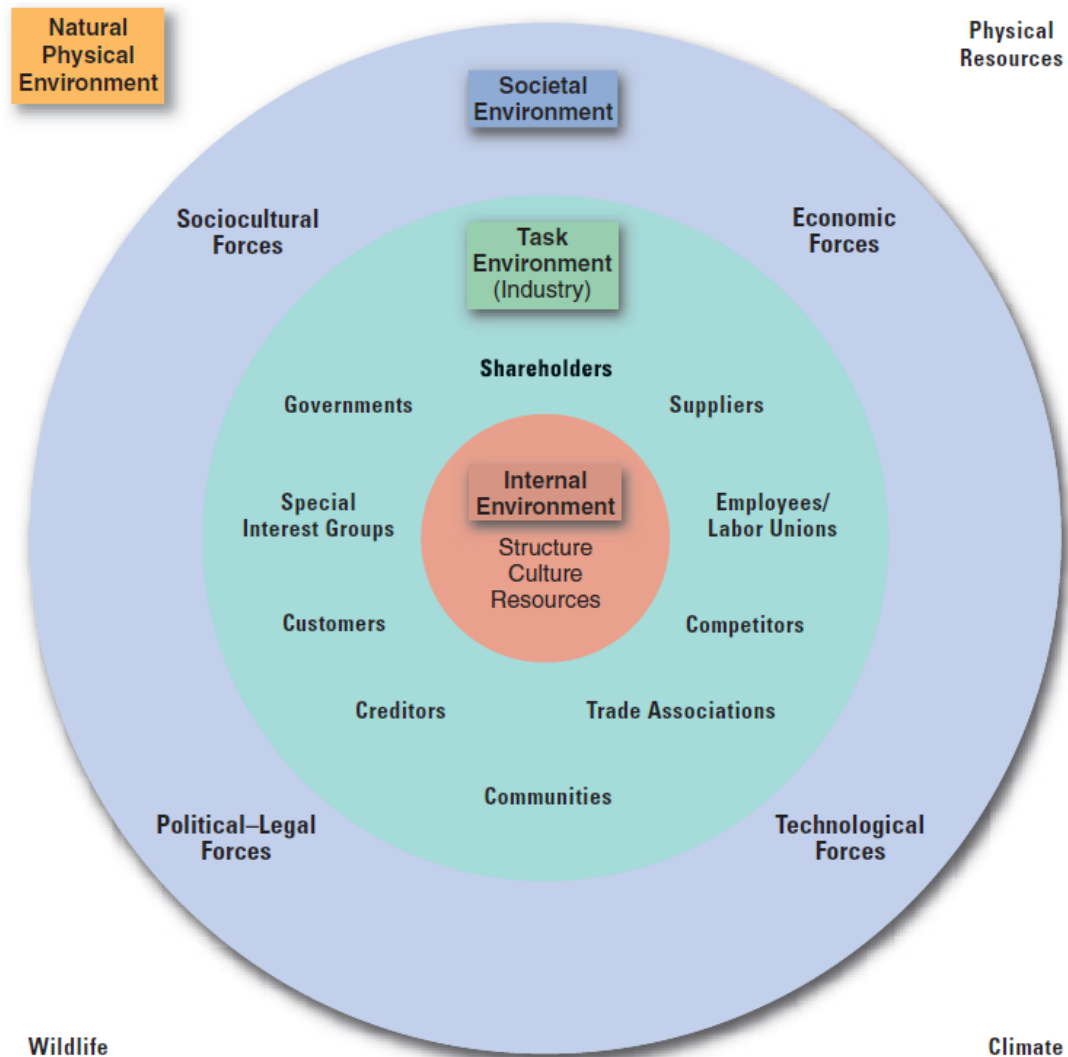
Strategic Management Model



Feedback/Learning: Make corrections as needed

ENVIRONMENTAL SCANNING

Company's environment – general forces and trends within the natural or societal environments or specific factors that affect company



MARKET ANALYSIS

- **Market** consists of individuals and organizations which are interested and willing to buy a particular product to obtain benefits that will satisfy a specific need or want and who have the resources to engage in such a transaction.
- In the market we can find these ***market subjects***: buyers, organizational buyers, competition, publics
- Market is usually measured by dollar (euro) sales and/or unit sales for a defined product-market and specified time period. For measurement of market we can use these three measures:
 - *Market potential* is an estimate of the maximum possible sales of a product, a group of products or a service for an entire industry during a specified time period.
 - *Market size* (market capacity) is total sales of product, a group of product or a service of the defined industry during a specified time period.
 - *Market share* is defined as the sales of product, a group of product or a service of the particular company in the defined industry during a specified time period.
- **Market research** is method for monitoring and analyzing of markets, subject of markets, companies etc.

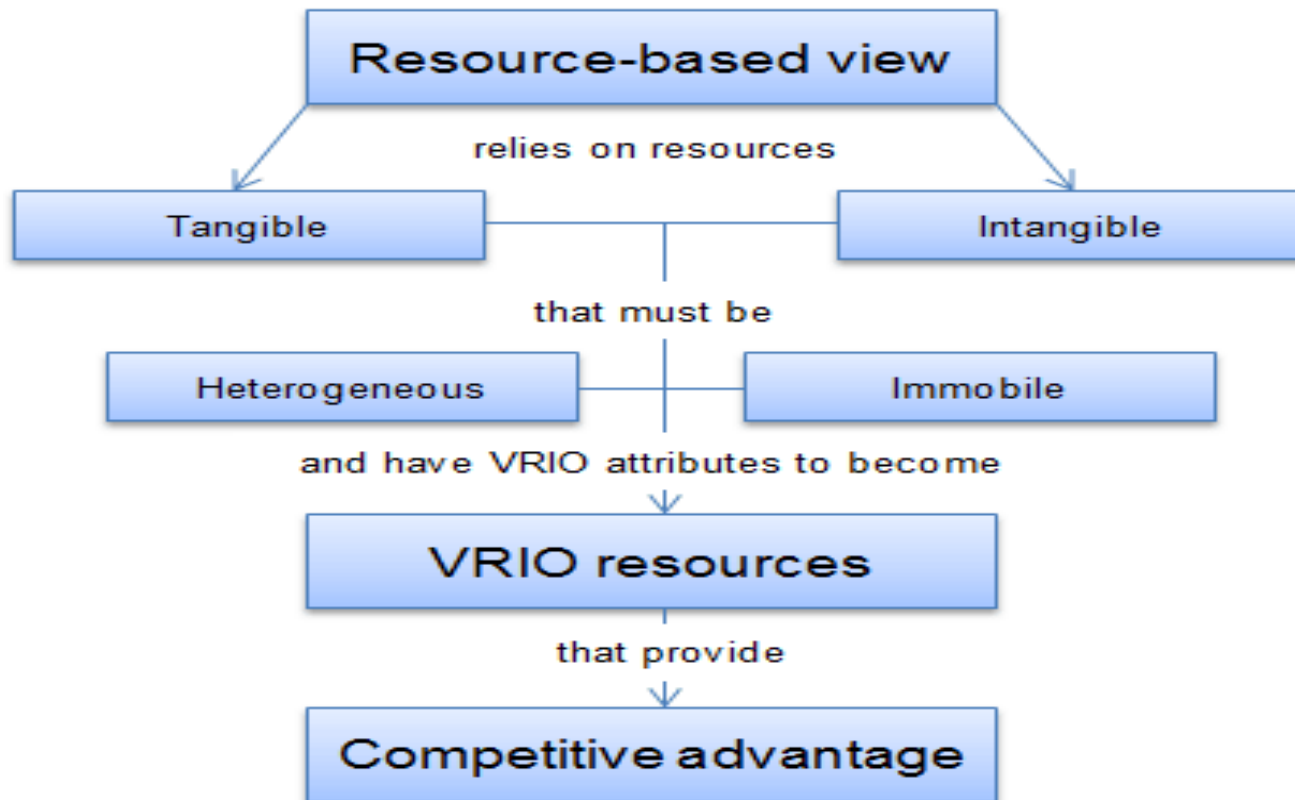
INTERNAL SCANNING

- Analysts must also look within the **corporation itself to identify internal strategic factors** - *critical strengths and weaknesses* that are likely to determine whether a firm will be able to take advantage of opportunities while avoiding threats.
- This *internal scanning*, often referred to as **organizational analysis**, is concerned with identifying and developing an organization's resources and competencies.

RESOURCES AND CAPABILITIES

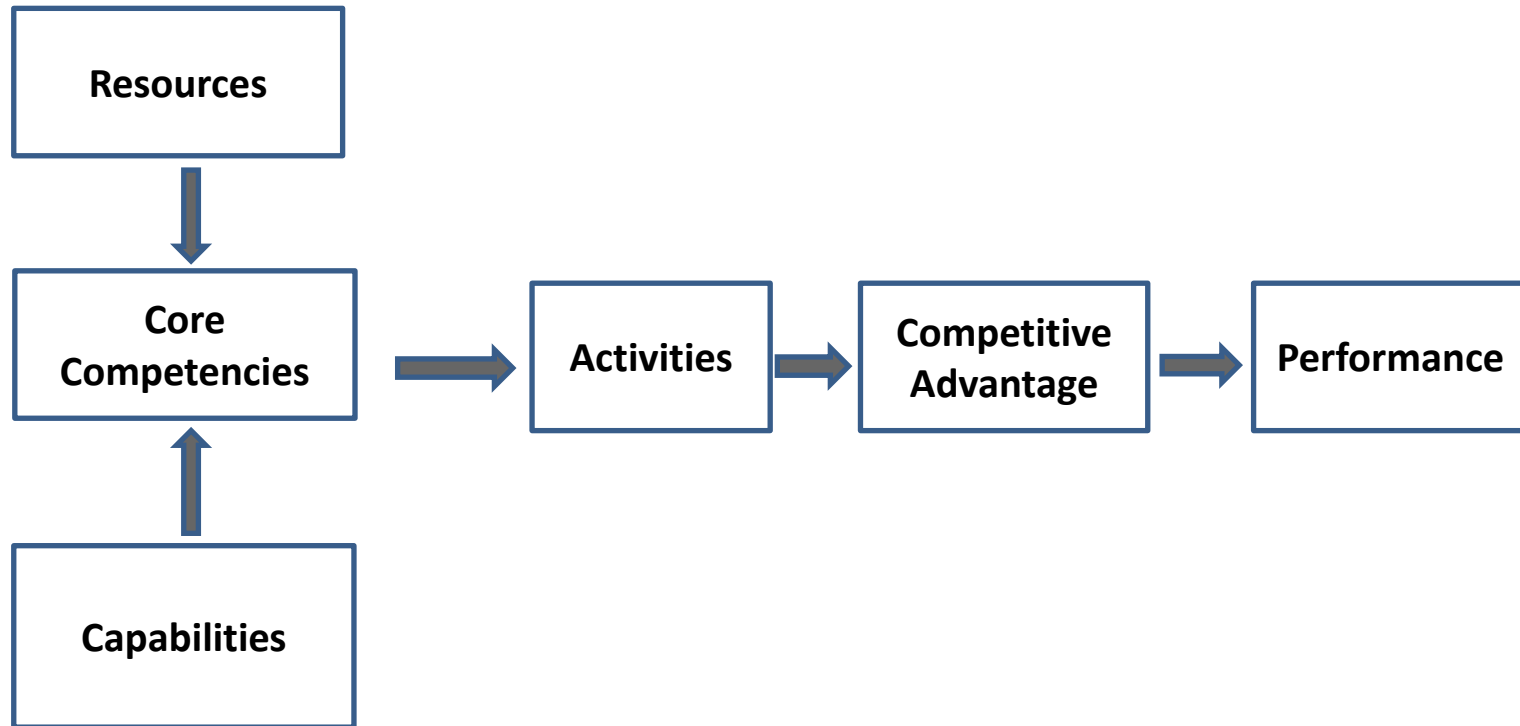
- Resources are an organization's assets and are thus the basic building blocks of the organization.
- They include **tangible assets**, such as its *plant, equipment, finances, and location*, *human assets, in terms of the number of employees, their skills, and motivation*, and **intangible assets**, such as its *technology (patents and copyrights), culture, and reputation*.
- **Capabilities** refer to a corporation's ability to exploit its resources.
 - A capability is functionally based and is resident in a particular function. Thus, there are marketing capabilities, manufacturing capabilities, and human resource management capabilities. When these capabilities are constantly being changed and reconfigured to make them more adaptive to an uncertain environment, they are called **dynamic capabilities**.

Resources



Prostor pro doplňující informace, poznámky

Resources and Capabilities



BASIC CONCEPTS OF STRATEGIC MANAGEMENT

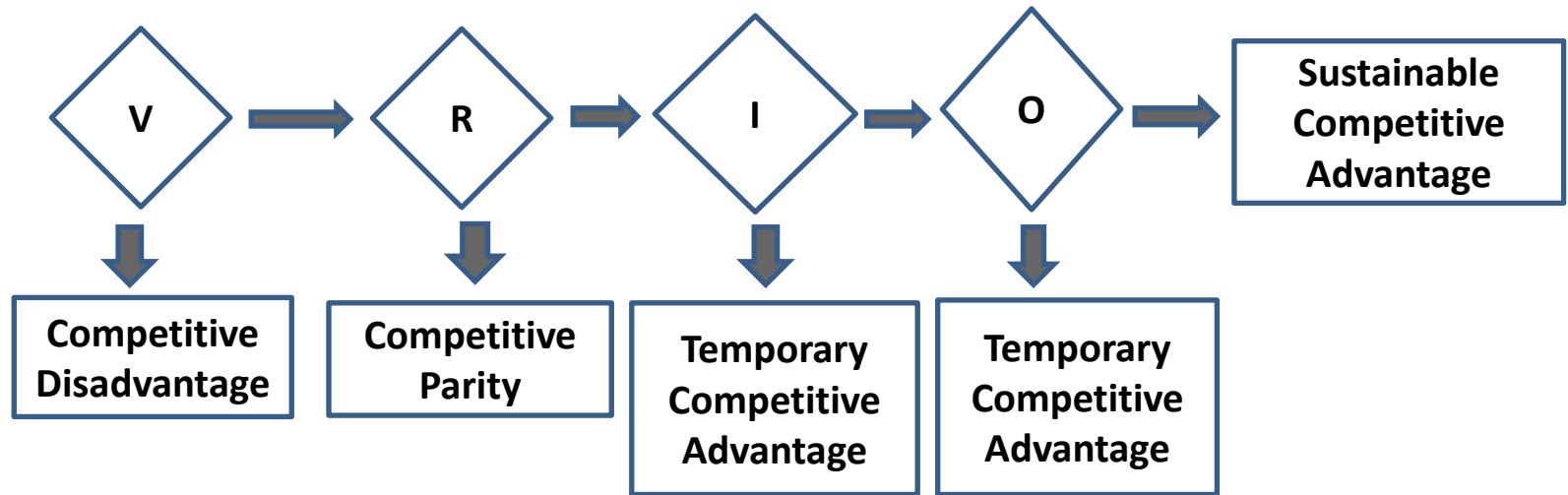
COMPANY EXAMPLES OF CORE COMPETENCIES

Company	Core competencies	Application examples
Amazon.com	Superior IT capabilities	Online retailing: largest selection of items online
Apple	Superior marketing and retailing experience Superior industrial design in integration of hardware and software	Creation of innovative and category-defining mobile devices and software services
Coca-Cola	Superior marketing and distribution	Leveraging one of the world's most recognized brands Global availability of products
Honda	Superior engineering of small but powerful and highly reliable internal combustion engines	Motorcycles, cars, sporting boats, snowmobiles, small aircraft

RESOURCES AND CAPABILITIES

- **Barney**, in his **VRIO framework** of analysis, proposes four questions to evaluate a firm's competencies:
 1. **Value**: Does it provide customer value and competitive advantage?
 2. **Rareness**: Do no other competitors possess it?
 3. **Imitability**: Is it costly for others to imitate?
 4. **Organization**: Is the firm organized to exploit the resource?

Applying the VRIO



A RESOURCE-BASED APPROACH

- Proposing that a company's sustained competitive advantage is primarily determined by its resource endowments, Grant proposes a five-step, resource-based approach to strategy analysis.
 1. Identify and classify the firm's resources in terms of strengths and weaknesses.
 2. Combine the firm's strengths into specific capabilities and core competencies.
 3. Appraise the profit potential of these capabilities and competencies in terms of their potential for sustainable competitive advantage and the ability to harvest the profits resulting from their use. Are there any distinctive competencies?
 4. Select the strategy that best exploits the firm's capabilities and competencies relative to external opportunities.
 5. Identify resource gaps and invest in upgrading weaknesses.

A RESOURCE-BASED APPROACH

Determining the sustainability of an advantage

- Just because a firm is able to use its resources, capabilities, and competencies to develop a competitive advantage does not mean it will be able to sustain it.
- Two characteristics determine the sustainability of a firm's distinctive competency(ies): **durability** and **imitability**.
- **Durability** is the rate at which a firm's underlying resources, capabilities, or core competencies depreciate or become obsolete. New technology can make a company's core competency **obsolete or irrelevant**.
 - For example, Intel's skills in using basic technology developed by others to manufacture and market quality microprocessors was a crucial capability until management realized that the firm had taken current technology as far as possible with the Pentium chip.

A RESOURCE-BASED APPROACH

Determining the sustainability of an advantage

- **Imitability** is the rate at which a firm's underlying resources, capabilities, or core competencies can be duplicated by others.
- To the extent that a firm's distinctive competency gives it competitive advantage in the marketplace, competitors will do what they can to learn and imitate that set of skills and capabilities.
- Competitors' efforts may **range from reverse engineering** (*which involves taking apart a competitor's product in order to find out how it works*), to hiring employees from the competitor, to outright patent infringement.
- A core competency can be easily imitated to the extent that it is **transparent, transferable, and replicable**.

A RESOURCE-BASED APPROACH

Determining the sustainability of an advantage

- **Transparency** is the speed with which other firms can understand the relationship of resources and capabilities supporting a successful firm's strategy.
 - For example, Gillette has always supported its dominance in the marketing of razors with excellent R&D.
 - A competitor could never understand how the Sensor or Mach 3 razor was produced simply by taking one apart.
 - Gillette's razor design was very difficult to copy, partially because the manufacturing equipment needed to produce it was so expensive and complicated.

A RESOURCE-BASED APPROACH

Determining the sustainability of an advantage

- **Transferability** is the ability of competitors to gather the resources and capabilities necessary to support a competitive challenge.
 - For example, it may be very difficult for a winemaker to duplicate a French winery's key resources of land and climate, especially if the imitator is located in Iowa.
- **Replicability** is the ability of competitors to use duplicated resources and capabilities to imitate the other firm's success.

Looking inside yourself: What is my competitive advantage?

- Write down your own strengths and weaknesses.
- Are your strengths and weaknesses different today from what they were five years ago?
- Are some of your strengths valuable, rare, and costly to imitate?
- What are you doing to make sure your capabilities are dynamic?

VALUE-CHAIN ANALYSIS

- A **value chain is a linked set of value-creating activities** that begin with basic raw materials coming from suppliers, moving on to a series of value-added activities involved in producing and marketing a product or service, and ending with distributors getting the final goods into the hands of the ultimate consumer.
- The focus of value-chain analysis is to examine the corporation in the context of the overall chain of value-creating activities, of which the firm may be only a small part.

Typical Value Chain for a Manufactured Product



VALUE-CHAIN ANALYSIS

Industry value chain

- The value chains of most industries can be split into two segments, upstream and downstream segments.
 - In the petroleum industry, for example, upstream refers to oil exploration, drilling, and moving of the crude oil to the refinery, and downstream refers to refining the oil plus transporting and marketing gasoline and refined oil to distributors and gas station retailers.
- In analyzing the complete value chain of a product, note that even if a firm operates up and down the entire industry chain, it usually *has an area of expertise where its primary activities lie*. A company's **center of gravity** is the part of the chain that is **most important** to the company and the point where its greatest expertise and capabilities lie - its core competencies.
 - After a firm successfully establishes itself at this point by obtaining a competitive advantage, one of its first strategic moves is to move *forward or backward* along the value chain in order to reduce costs, guarantee access to key raw materials, or to guarantee distribution - this process, called **vertical integration**.

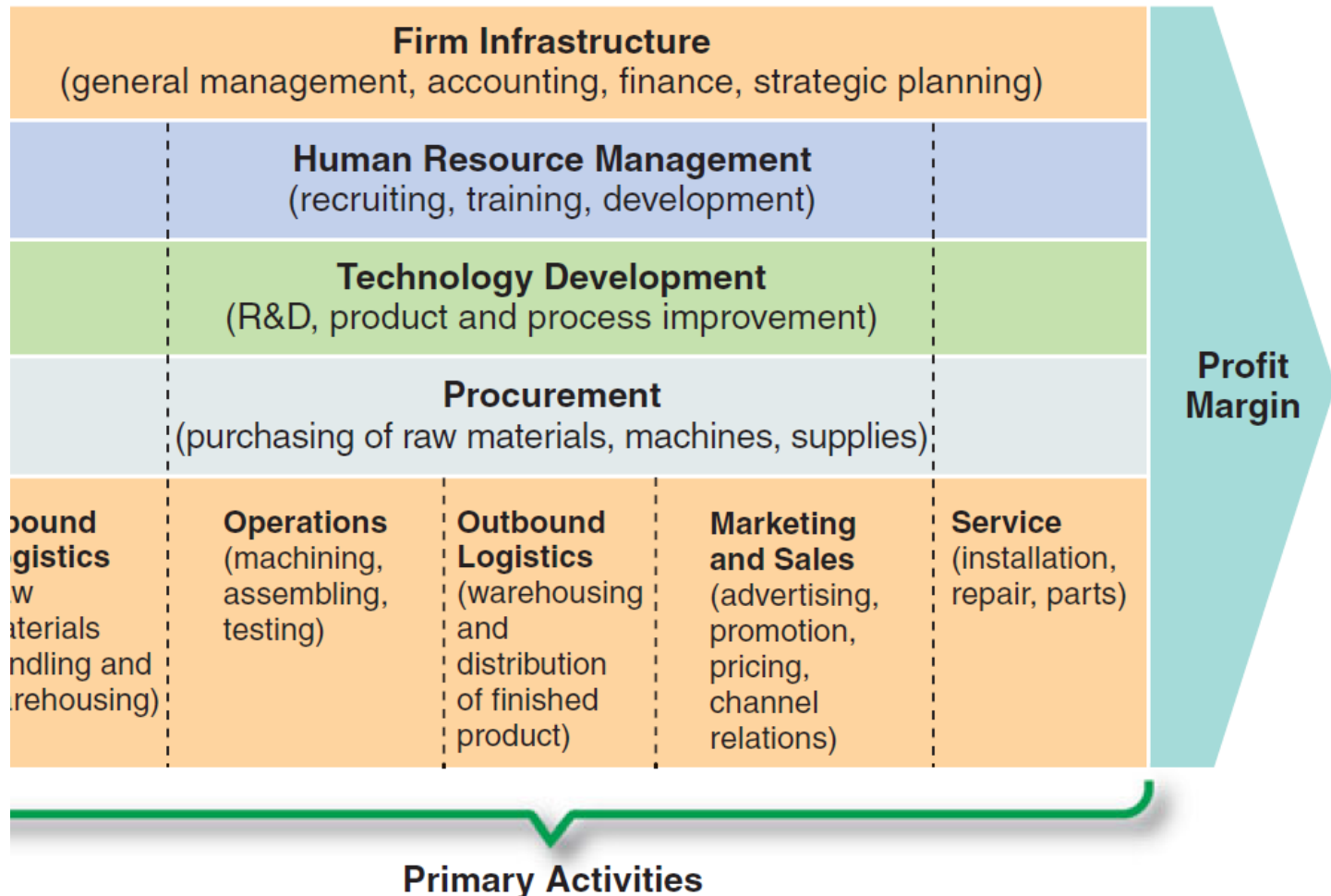
VALUE-CHAIN ANALYSIS

Corporate value chain

- Each corporation has its own internal value chain of activities.
- Porter proposes that a manufacturing firm's **primary activities** usually begin with *inbound logistics* (raw materials handling and warehousing), go through an operations process in which a product is manufactured, and continue on to outbound logistics (warehousing and distribution), to marketing and sales, and finally to service (installation, repair, and sale of parts).
- Several **support activities**, such as procurement (purchasing), technology development (R&D), human resource management, and firm infrastructure (accounting, finance, strategic planning), ensure that the primary value chain activities operate effectively and efficiently.

VALUE-CHAIN ANALYSIS

Corporate value chain



SCANNING FUNCTIONAL RESOURCES AND CAPABILITIES

Strategic Marketing Issues

- The marketing manager is a company's primary link to the customer and the competition. The manager, therefore, must be especially ***concerned with the market position and marketing mix of the firm*** as well as with the overall reputation of the company and its brands.

Marketing Mix Variables

Product	Place	Promotion	Price
Quality	Channels	Advertising	List price
Features	Coverage	Personal selling	Discounts
Options	Locations	Sales promotion	Allowances
Style	Inventory	Publicity	Payment periods
Brand name	Transport		Credit items
Packaging			
Sizes			
Services			
Warranties			
Returns			

SCANNING FUNCTIONAL RESOURCES AND CAPABILITIES

Strategic Financial Issues

- A financial manager must ascertain the ***best sources of funds, uses of funds, and control of funds.***
 - All strategic issues have financial implications. Cash must be raised from internal or external (local and global) sources and allocated for different uses. The flow of funds in the operations of an organization must be monitored.
- The concept of **financial leverage** (the ratio of total debt to total assets) is helpful in describing how debt is used to increase the earnings available to common shareholders.
- **Capital budgeting** is the analyzing and ranking of possible investments in fixed assets such as land, buildings, and equipment in terms of the additional outlays and additional receipts that will result from each investment.

SCANNING FUNCTIONAL RESOURCES AND CAPABILITIES

Strategic Research and Development Issues

- The R&D manager is responsible for suggesting and implementing a company's technological strategy in light of its corporate objectives and policies. The manager's job, therefore, involves:
 1. choosing among alternative new technologies to use within the corporation,
 2. developing methods of embodying the new technology in new products and processes, and
 3. deploying resources so that the new technology can be successfully implemented.

SCANNING FUNCTIONAL RESOURCES AND CAPABILITIES

Strategic Human Resource (HRM) Issues

- The primary task of the manager of human resources is to ***improve the match between individuals and jobs.***
 - Research indicates that companies with good HRM practices have higher profits and a better survival rate than do firms without these practices.
- A good HRM department should know how to use attitude surveys and other feedback devices to ***assess employees' satisfaction*** with their jobs and with the corporation as a whole.
- HRM managers should also use job analysis to obtain job description information about what each job needs to accomplish in terms of quality and quantity.

SCANNING FUNCTIONAL RESOURCES AND CAPABILITIES

Strategic Information Systems/Technology Issues

- The primary task of the manager of information systems/technology is to ***design and manager the flow of information in an organization*** in ways that improve productivity and decision making.
- Information must be collected, stored, and synthesized in such a manner that it will answer important operating and strategic questions.
- A corporation's information system can be a strength or a weakness in multiple areas of strategic management.

1. SYNTHESIS OF EXTERNAL FACTORS – EFAS TABLE

Synthesis of External Factors

1. Using key success factors to create an *industry matrix* - within any industry there are usually *certain variables* - **key success factors** - that a company's management must understand in order to be successful.
 - Key success factors are variables that can significantly affect the overall competitive positions of companies within any particular industry.
 - An industry matrix summarizes the key success factors within a particular industry. The matrix gives a **weight for each factor** based on how important that factor is for success within the industry.
 - The matrix also specifies **how well various competitors in the industry are responding to each factor**.
 - To generate an industry matrix using two industry competitors (called A and B), complete the following steps for the industry being analyzed:

SYNTHESIS OF THE EXTERNAL AND INTERNAL FACTORS

1. SYNTHESIS OF EXTERNAL FACTORS – EFAS TABLE

Synthesis of External Factors

- To generate an industry matrix using two industry competitors (called A and B), complete the following steps for the industry being analyzed:
 - In Column 1 (*Key Success Factors*)**, list the 8 to 10 factors that appear to determine success in the industry.
 - Column 2 (*Weight*)**, assign a weight to each factor, from 1.0 (Most Important) to 0.0 (Not Important) based on that factor's probable impact on the overall industry's current and future success. (All weights must sum to 1.0 regardless of the number of strategic factors.)

Key Success Factors	Weight	Company A Rating	Company A Weighted Score	Company B Rating	Company B Weighted Score	
	1	2	3	4	5	6
Total	<u>1.00</u>		==		==	

SYNTHESIS OF THE EXTERNAL AND INTERNAL FACTORS

1. SYNTHESIS OF EXTERNAL FACTORS – EFAS TABLE

Synthesis of External Factors

- To generate an industry matrix using two industry competitors (called A and B), complete the following steps for the industry being analyzed:
 - In Column 3 (*Company A Rating*)**, examine a particular company within the industry.
 - for example, Company A. Assign a rating to each factor from 5 (Outstanding) to 1 (Poor) based on Company A's current response to that particular factor. Each rating is a judgment regarding how well that company is specifically dealing with each key success factor.

Key Success Factors	Weight		Company A Rating		Company A Weighted Score		Company B Rating		Company B Weighted Score	
	1	2	3	4	5	6				
Total	<u>1.00</u>			==		==				

1. SYNTHESIS OF EXTERNAL FACTORS – EFAS TABLE

Synthesis of External Factors

- To generate an industry matrix using two industry competitors (called A and B), complete the following steps for the industry being analyzed:
 4. **In Column 4 (*Company A Weighted Score*)**, multiply the weight in Column 2 for each factor by its rating in Column 3 to obtain that factor's weighted score for Company A.
 5. **In Column 5 (*Company B Rating*)**, examine a second company within the industry – in this case, Company B.
 4. Assign a rating to each key success factor from 5.0 (Outstanding) to 1.0 (Poor), based on Company B's current response to each particular factor.
 6. **In Column 6 (*Company B Weighted Score*)**, multiply the weight in Column 2 for each factor times its rating in Column 5.
 7. **The total weighted score indicates** how well each company is responding to current and expected key success factors in the industry's environment.

SYNTHESIS OF THE EXTERNAL AND INTERNAL FACTORS

1. SYNTHESIS OF EXTERNAL FACTORS – EFAS TABLE

Synthesis of External Factors - EFAS

- Using an **EFAS** (*External Factors Analysis Summary*) **Table** is one way to **organize the external factors** into the generally accepted categories of opportunities and threats as well as to analyze how well a particular company's management (rating) is responding to these specific factors in light of the perceived importance (weight) of these factors to the company.

Example of External Factor Analysis Summary (EFAS Table)

External Factors	Weight		Rating		Weighted Score		Comments
	1	2	3	4	5		
Opportunities							
■ Economic integration of European Community		.20	4.1	.82		Acquisition of Hoover	
■ Demographics favor quality appliances		.10	5.0	.50		Maytag quality	
■ Economic development of Asia		.05	1.0	.05		Low Maytag presence	
■ Opening of Eastern Europe		.05	2.0	.10		Will take time	
■ Trend to "Super Stores"		.10	1.8	.18		Maytag weak in this channel	
Threats							
■ Increasing government regulations		.10	4.3	.43		Well positioned	
■ Strong U.S. competition		.10	4.0	.40		Well positioned	
■ Whirlpool and Electrolux strong globally		.15	3.0	.45		Hoover weak globally	
■ New product advances		.05	1.2	.06		Questionable	
■ Japanese appliance companies		.10	1.6	.16		Only Asian presence in Australia	
Total Scores		<u>1.00</u>		<u>3.15</u>			

2. SYNTHESIS OF INTERNAL FACTORS – IFAS TABLE

Synthesis of Internal Factors

- This **IFAS** (*Internal Factor Analysis Summary*) **Table** is one way to **organize the internal factors** into the generally accepted categories of strengths and weaknesses as well as to analyze how well a particular company's management is responding to these specific factors in light of the perceived importance of these factors to the company.
- Use the **VRIO framework** (Value, Rareness, Imitability, & Organization) to assess the importance of each of the factors that might be considered strengths.
- Except for its internal orientation, this *IFAS Table is built the same way as the EFAS Table*.

SYNTHESIS OF THE EXTERNAL AND INTERNAL FACTORS

2. SYNTHESIS OF INTERNAL FACTORS – IFAS TABLE

Synthesis of Internal Factors

Example of Internal Factor Analysis Summary (IFAS Table)

Internal Factors	Weight	Rating	Weighted Score	Comments
	1	2	3	4
				5
Strengths				
■ Quality Maytag culture	.15	5.0	.75	Quality key to success
■ Experienced top management	.05	4.2	.21	Know appliances
■ Vertical integration	.10	3.9	.39	Dedicated factories
■ Employer relations	.05	3.0	.15	Good, but deteriorating
■ Hoover's international orientation	.15	2.8	.42	Hoover name in cleaners
Weaknesses				
■ Process-oriented R&D	.05	2.2	.11	Slow on new products
■ Distribution channels	.05	2.0	.10	Superstores replacing small dealers
■ Financial position	.15	2.0	.30	High debt load
■ Global positioning	.20	2.1	.42	Hoover weak outside the United Kingdom and Australia
■ Manufacturing facilities	.05	4.0	.20	Investing now
Total Scores	<u>1.00</u>		<u>3.05</u>	

3. SITUATION ANALYSIS

- **Strategy formulation**, often referred to as ***strategic planning or long-range planning***, is concerned with developing a corporation's mission, objectives, strategies, and policies.
- It begins with **situation analysis: *the process of finding a strategic fit between external opportunities and internal strengths while working around external threats and internal weaknesses.***
 - As shown in the Strategic Decision-Making Process is analyzing strategic factors in light of the current situation using SWOT analysis.
 - Some of the primary criticisms of SWOT analysis are:
 - It generates lengthy lists.
 - It uses no weights to reflect priorities.
 - It uses ambiguous words and phrases.
 - The same factor can be placed in two categories (e.g., a strength may also be a weakness).
 - There is no obligation to verify opinions with data or analysis.
 - It requires only a single level of analysis.
 - There is no logical link to strategy implementation.

3. SITUATION ANALYSIS

Generating a Strategic Factors Analysis Summary SFAS matrix

- The EFAS and IFAS Tables plus the SFAS Matrix have been developed to deal with the criticisms of SWOT analysis.
- When used together, they are a ***powerful analytical set of tools*** for strategic analysis.
- The **SFAS** (Strategic Factors Analysis Summary) **Matrix** summarizes an organization's strategic factors by combining the external factors from the EFAS Table with the internal factors from the IFAS Table.

3. SITUATION ANALYSIS

Generating a Strategic Factors Analysis Summary SFAS matrix

- The SFAS Matrix requires a strategic decision maker to condense these strengths, weaknesses, opportunities, and threats into fewer than 10 strategic factors.
- This is done by reviewing and revising the weight given each factor. The revised weights reflect the priority of each factor as a determinant of the company's future success.
- The highest-weighted EFAS and IFAS factors should appear in the SFAS Matrix.

3. SITUATION ANALYSIS

Generating a Strategic Factors Analysis Summary SFAX matrix – can create following these steps:

1. **In Column 1 (*Strategic Factors*)**, list the most important EFAS and IFAS items.
 - After each factor, indicate whether it is a Strength (S), Weakness (W), an Opportunity (O), or a Threat (T).
2. **In Column 2 (*Weight*)**, assign weights for all of the internal and external strategic factors. This means that the weights calculated earlier for EFAS and IFAS will probably have to be adjusted.
3. **In Column 3 (*Rating*)**, assign a rating of how the company's management is responding to each of the strategic factors.
 - These ratings will probably (but not always) be the same as those listed in the EFAS and IFAS Tables.
4. **In Column 4 (*Weighted Score*)**, multiply the weight in Column 2 for each factor by its rating in Column 3 to obtain the factor's rated score.
5. **In Column 5 (*Duration*)**, indicate short-term (less than one year), intermediate-term (one to three years), or long-term (three years and beyond).
6. **In Column 6 (*Comments*)**, repeat or revise your comments for each strategic factor from the previous EFAS and IFAS Tables. The total weighted score for the average firm in an industry is always 3.0.

SYNTHESIS OF THE EXTERNAL AND INTERNAL FACTORS

3. SITUATION ANALYSIS

Summary SFAX matrix

Internal Strategic Factors	Weight		Rating		Weighted Score		Comments
	1	2	3	4	5		
Strengths							
S1 Quality Maytag culture	.15		5.0	.75		Quality key to success	
S2 Experienced top management	.05		4.2	.21		Know appliances	
S3 Vertical integration	.10		3.9	.39		Dedicated factories	
S4 Employee relations	.05		3.0	.15		Good, but deteriorating	
S5 Hoover's international orientation	.15		2.8	.42		Hoover name in cleaners	
Weaknesses							
W1 Process-oriented R&D	.05		2.2	.11		Slow on new products	
W2 Distribution channels	.05		2.0	.10		Superstores replacing small dealers	
W3 Financial position	.15		2.0	.30		High debt load	
W4 Global positioning	.20		2.1	.42		Hoover weak outside the United Kingdom and Australia	
W5 Manufacturing facilities	.05		4.0	.20		Investing now	
Total Scores	<u>1.00</u>			<u>3.05</u>			
External Strategic Factors	Weight		Rating		Weighted Score		Comments
	1	2	3	4	5		
Opportunities							
O1 Economic integration of European Community	.20		4.1	.82		Acquisition of Hoover	
O2 Demographics favor quality appliances	.10		5.0	.50		Maytag quality	
O3 Economic development of Asia	.05		1.0	.05		Low Maytag presence	
O4 Opening of Eastern Europe	.05		2.0	.10		Will take time	
O5 Trend to "Super Stores"	.10		1.8	.18		Maytag weak in this channel	
Threats							
T1 Increasing government regulations	.10		4.3	.43		Well positioned	
T2 Strong U.S. competition	.10		4.0	.40		Well positioned	
T3 Whirlpool and Electrolux strong globally	.15		3.0	.45		Hoover weak globally	
T4 New product advances	.05		1.2	.06		Questionable	
T5 Japanese appliance companies	.10		1.6	.16		Only Asian presence is Australia	
Total Scores	<u>1.00</u>			<u>3.15</u>			

SYNTHESIS OF THE EXTERNAL AND INTERNAL FACTORS

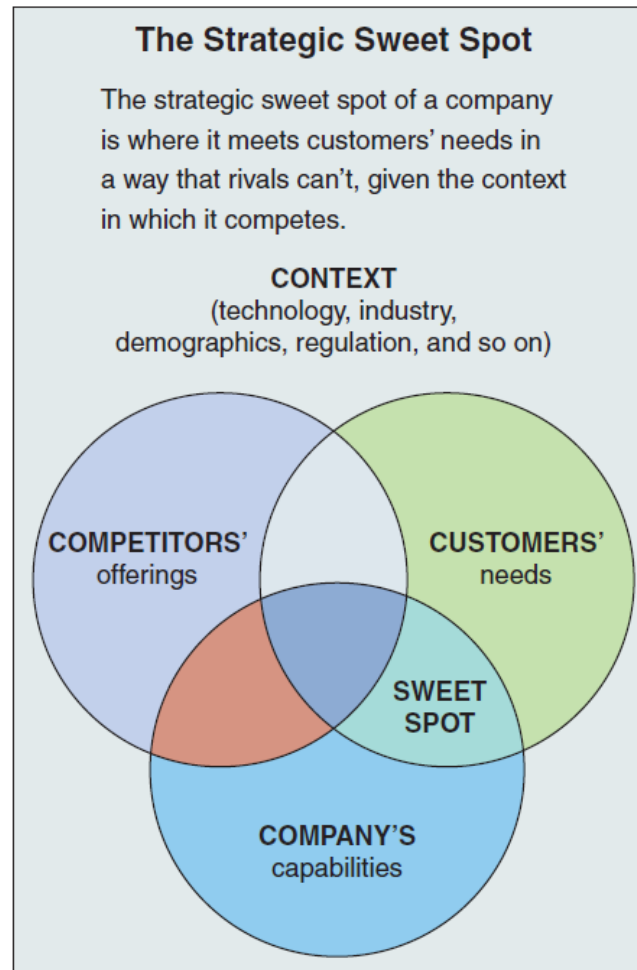
3. SITUATION ANALYSIS

Generating SFAX matrix

		1	2	3	4	Duration		5	6
Strategic Factors (Select the most important opportunities/threats from EFAS, Table 4-5 and the most important strengths and weaknesses from IFAS, Table 5-2)		Weight	Rating	Weighted Score	S H O R T T E R M I N A L		L O N G		Comments
→	S1 Quality Maytag culture (S)	.10	5.0	.50				X	Quality key to success
→	S5 Hoover's international orientation (S)	.10	2.8	.28	X	X			Name recognition
→	W3 Financial position (W)	.10	2.0	.20	X	X			High debt
→	W4 Global positioning (W)	.15	2.2	.33		X	X		Only in N.A., U.K., and Australia
→	O1 Economic integration of European Community (O)	.10	4.1	.41				X	Acquisition of Hoover
→	O2 Demographics favor quality (O)	.10	5.0	.50		X			Maytag quality
→	O5 Trend to super stores (O + T)	.10	1.8	.18	X				Weak in this channel
→	T3 Whirlpool and Electrolux (T)	.15	3.0	.45	X				Dominate industry
→	T5 Japanese appliance companies (T)	.10	1.6	.16				X	Asian presence
Total Scores		<u>1.00</u>		<u>3.01</u>					

3. SITUATION ANALYSIS

Finding a Propitious Niche - The strategic sweet spot



3. SITUATION ANALYSIS

Review of Mission and Objectives

- A **reexamination of an organization's current mission and objectives** must be made before alternative strategies can be generated and evaluated.
- Even when formulating strategy, **decision makers tend to concentrate on the alternatives** - the action possibilities - rather than on a mission to be fulfilled and objectives to be achieved.
- The end result is that **we often choose strategies that set our objectives for us** rather than having our choices incorporate clear objectives and a mission statement.
 - The mission does not provide a common thread (a unifying theme) for a corporation's businesses, managers may be unclear about where the company is heading. Objectives and strategies might be in conflict with each other. Divisions might be competing against one another rather than against outside competition.

3. SITUATION ANALYSIS

Generating Alternative Strategies by Using a TOWS Matrix

- The **TOWS Matrix** (TOWS is just another way of saying SWOT) illustrates how the external opportunities and threats facing a particular corporation can be matched with that company's internal strengths and weaknesses to result in four sets of possible strategic alternatives.
- This is a good way to ***use brainstorming to create alternative strategies*** that might not otherwise be considered.
- It forces strategic managers to ***create various kinds of growth as well as retrenchment strategies***. It can be used to generate corporate as well as business strategies.

3. SITUATION ANALYSIS

Generating Alternative Strategies by Using a TOWS Matrix

EXTERNAL FACTORS (EFAS) <i>(diagonal label)</i>	INTERNAL FACTORS (IFAS) Strengths (S) List 5 – 10 <i>internal</i> strengths here	Weaknesses (W) List 5 – 10 <i>internal</i> weaknesses here
Opportunities (O) List 5 – 10 <i>external</i> opportunities here	SO Strategies Generate strategies here that use strengths to take advantage of opportunities	WO Strategies Generate strategies here that take advantage of opportunities by overcoming weaknesses
Threats (T) List 5 – 10 <i>external</i> threats here	ST Strategies Generate strategies here that use strengths to avoid threats	WT Strategies Generate strategies here that minimize weaknesses and avoid threats

3. SITUATION ANALYSIS

Top build a TOWS Matrix, take the following steps:

- 1. In the Opportunities (O) block**, list the external opportunities available in the company's or business unit's current and future environment from the EFAS Table.
- 2. In the Threats (T) block**, list the external threats facing the company or unit now and in the future from the EFAS Table.
- 3. In the Strengths (S) block**, list the specific areas of current and future strength for the company or unit from the IFAS Table.
- 4. In the Weaknesses (W) block**, list the specific areas of current and future weakness for the company or unit from the IFAS Table.

3. SITUATION ANALYSIS

Top build a TOWS Matrix, take the following steps:

5. **Generate a series of possible strategies** for the company or business unit under consideration based on particular combinations of the four sets of factors:
 - **SO Strategies** are generated by thinking of ways in which a company or business unit could use its strengths to take advantage of opportunities.
 - **ST Strategies** consider a company's or unit's strengths as a way to avoid threats.
 - **WO Strategies** attempt to take advantage of opportunities by overcoming weaknesses.
 - **WT Strategies** are basically defensive and primarily act to minimize weaknesses and avoid threats.