Chapter Objectives

1. Describe a three-stage framework for choosing among alternative strategies.
2. Explain how to develop a SWOT Matrix, SPACE Matrix, BCG Matrix, IE Matrix, and QSPM.
3. Identify important behavioral, political, ethical, and social responsibility considerations in strategy analysis and choice.
4. Discuss the role of intuition in strategic analysis and choice.

5. Discuss the role of organizational culture in strategic analysis and choice.

6. Discuss the role of a board of directors in choosing among alternative strategies.
A Comprehensive Strategic Management Model

**FIGURE 6-1**

A Comprehensive Strategic-Management Model

Chapter 10: Business Ethics/Social Responsibility/Environmental Sustainability Issues

- Perform External Audit Chapter 2
- Develop Vision and Mission Statements Chapter 2
- Establish Long-Term Objectives Chapter 5
- Generate, Evaluate, and Select Strategies Chapter 6
- Implement Strategies—Management Issues Chapter 7
- Implement Strategies—Marketing, Finance, Accounting, R&D, and MIS Issues Chapter 8
- Measure and Evaluate Performance Chapter 9

Chapter 11: Global/International Issues

Strategy Formulation

Strategy Implementation

Strategy Evaluation
The Process of Generating and Selecting Strategies

- A manageable set of the most attractive alternative strategies must be developed.
- The advantages, disadvantages, trade-offs, costs, and benefits of these strategies should be determined.
The Process of Generating and Selecting Strategies

Identifying and evaluating alternative strategies should involve many of the managers and employees who earlier assembled the organizational vision and mission statements, performed the external audit, and conducted the internal audit.
The Process of Generating and Selecting Strategies

- Alternative strategies proposed by participants should be considered and discussed in a series of meetings.
- Proposed strategies should be listed in writing.
- When all feasible strategies identified by participants are given and understood, the strategies should be ranked in order of attractiveness.
### FIGURE 6-2

**The Strategy-Formulation Analytical Framework**

<table>
<thead>
<tr>
<th>STAGE 1: THE INPUT STAGE</th>
<th>STAGE 2: THE MATCHING STAGE</th>
<th>STAGE 3: THE DECISION STAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Factor Evaluation (EFE) Matrix</td>
<td>Competitive Profile Matrix (CPM)</td>
<td>Internal Factor Evaluation (IFE) Matrix</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Internal-External (IE) Matrix</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grand Strategy Matrix</td>
</tr>
<tr>
<td>Quantitative Strategic Planning Matrix (QSPM)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Stage 1 - Input Stage

- summarizes the basic input information needed to formulate strategies
- consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix (CPM)
Stage 2 - Matching Stage

- focuses on generating feasible alternative strategies by aligning key external and internal factors
- techniques include the Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix, the Strategic Position and Action Evaluation (SPACE) Matrix, the Boston Consulting Group (BCG) Matrix, the Internal-External (IE) Matrix, and the Grand Strategy Matrix
Stage 3 - Decision Stage

- involves the Quantitative Strategic Planning Matrix (QSPM)
- reveals the relative attractiveness of alternative strategies and thus provides objective basis for selecting specific strategies
## TABLE 6-1  Matching Key External and Internal Factors to Formulate Alternative Strategies

<table>
<thead>
<tr>
<th>Key Internal Factor</th>
<th>Key External Factor</th>
<th>Resultant Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess working capital (an internal strength)</td>
<td>+ 20 percent annual growth in the cell phone industry (an external opportunity)</td>
<td>= Acquire Cellfone, Inc.</td>
</tr>
<tr>
<td>Insufficient capacity (an internal weakness)</td>
<td>+ Exit of two major foreign competitors from the industry (an external opportunity)</td>
<td>= Pursue horizontal integration by buying competitors’ facilities</td>
</tr>
<tr>
<td>Strong R&amp;D expertise (an internal strength)</td>
<td>+ Decreasing numbers of younger adults (an external threat)</td>
<td>= Develop new products for older adults</td>
</tr>
<tr>
<td>Poor employee morale (an internal weakness)</td>
<td>+ Rising health care costs (an external threat)</td>
<td>= Develop a new wellness program</td>
</tr>
</tbody>
</table>
The Matching Stage

The **Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix** helps managers develop four types of strategies:

- **SO** (strengths-opportunities) Strategies
- **WO** (weaknesses-opportunities) Strategies
- **ST** (strengths-threats) Strategies
- **WT** (weaknesses-threats) Strategies
The Matching Stage

**SO Strategies**
- use a firm’s internal strengths to take advantage of external opportunities

**WO Strategies**
- aim at improving internal weaknesses by taking advantage of external opportunities
The Matching Stage

- **ST Strategies**
  - Use a firm's strengths to avoid or reduce the impact of external threats

- **WT Strategies**
  - Defensive tactics directed at reducing internal weakness and avoiding external threats
SWOT Matrix

1. List the firm’s key external opportunities
2. List the firm’s key external threats
3. List the firm’s key internal strengths
4. List the firm’s key internal weaknesses
5. Match internal strengths with external opportunities
6. Match internal weaknesses with external opportunities, and record the resultant WO Strategies

7. Match internal strengths with external threats, and record the resultant ST Strategies

8. Match internal weaknesses with external threats, and record the resultant WT Strategies
A SWOT Matrix for a Retail Computer Store

**FIGURE 6-3**
A SWOT Matrix for a Retail Computer Store

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Inventory turnover up 5.8 to 6.7</td>
<td>1. Software revenues in store down 12%</td>
</tr>
<tr>
<td>2. Average customer purchase up $97 to $128</td>
<td>2. Location of store hurt by new Hwy 34</td>
</tr>
<tr>
<td>3. Employee morale is excellent</td>
<td>3. Carpet and paint in store in disrepair</td>
</tr>
<tr>
<td>4. In-store promotions = 20% increase in sales</td>
<td>4. Bathroom in store needs refurbishing</td>
</tr>
<tr>
<td>5. Newspaper advertising expenditures down 10%</td>
<td>5. Total store revenues down 8%</td>
</tr>
<tr>
<td>6. Revenues from repair/service in store up 16%</td>
<td>6. Store has no website</td>
</tr>
<tr>
<td>7. In-store technical support persons have MIS degrees</td>
<td>7. Supplier on-time-delivery up to 2.4 days</td>
</tr>
<tr>
<td>8. Store’s debt-to-total-assets ratio down 34%</td>
<td>8. Customer checkout process too slow</td>
</tr>
<tr>
<td>9. Revenues per employee up 19%</td>
<td></td>
</tr>
</tbody>
</table>
## A SWOT Matrix for a Retail Computer Store

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>SO Strategies</th>
<th>WO Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Population of city growing 10%</td>
<td>1. Add 4 new in-store promotions monthly (S4, O3)</td>
<td>1. Purchase land to build new store (W2, O2)</td>
</tr>
<tr>
<td>2. Rival computer store opening 1 mile away</td>
<td>2. Add 2 new repair/service persons (S6, O5)</td>
<td>2. Install new carpet/paint/bath (W3, W4, O1)</td>
</tr>
<tr>
<td>3. Vehicle traffic passing store up 12%</td>
<td>3. Send flyer to all seniors over age 55 (S5, O5)</td>
<td>3. Up website services by 50% (W6, O7, O8)</td>
</tr>
<tr>
<td>4. Vendors average six new products/yr</td>
<td></td>
<td>4. Launch mailout to all realtors in city (W5, O7)</td>
</tr>
<tr>
<td>5. Senior citizen use of computers up 8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Small business growth in area up 10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Desire for websites up 18% by realtors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Desire for websites up 12% by small firms</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Threats</th>
<th>ST Strategies</th>
<th>WT Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Best Buy opening new store in 1 yr nearby</td>
<td>1. Hire 2 more repair persons and market these new services (S6, S7, T1)</td>
<td>1. Hire 2 new cashiers (W8, T1, T4)</td>
</tr>
<tr>
<td>2. Local university offers computer repair</td>
<td>2. Purchase land to build new store (S8, T3)</td>
<td>2. Install new carpet/paint/bath (W3, W4, T1)</td>
</tr>
<tr>
<td>3. New bypass Hwy 34 in 1 yr will divert traffic</td>
<td>3. Raise out-of-store service calls from $60 to $80 (S6, T5)</td>
<td></td>
</tr>
<tr>
<td>4. New mall being built nearby</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Gas prices up 14%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Vendors raising prices 8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The SPACE Matrix

**FIGURE 6-4**

The SPACE Matrix

- **Conservative**
  - Market penetration
  - Market development
  - Product development
  - Related diversification

- **Aggressive**
  - Backward, forward, horizontal integration
  - Market penetration
  - Market development
  - Product development
  - Diversification (related or unrelated)

- **Defensive**
  - Retrenchment
  - Divestiture
  - Liquidation

- **Competitive**
  - Backward, forward, horizontal integration
  - Market penetration
  - Market development
  - Product development

- **FP**
  - +6
  - +5
  - +4
  - +3
  - +2
  - +1
  - 0
  - -1
  - -2
  - -3
  - -4
  - -5
  - -6
  - -7

- **CP**
  - -7
  - -6
  - -5
  - -4
  - -3
  - -2
  - -1
  - 0
  - 1

- **IP**
  - 0
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7

- **SP**
  - -7

Copyright ©2013 Pearson Education, Inc. publishing as Prentice Hall
The Strategic Position and Action Evaluation (SPACE) Matrix

- Strategic Position and Action Evaluation (SPACE) Matrix

  four-quadrant framework indicates whether aggressive, conservative, defensive, or competitive strategies are most appropriate for a given organization.
The Strategic Position and Action Evaluation (SPACE) Matrix

- Two internal dimensions (financial position [FP] and competitive position [CP])
- Two external dimensions (stability position [SP] and industry position [IP])
- Most important determinants of an organization’s overall strategic position
# Factors That Make Up the SPACE Matrix Axes

<table>
<thead>
<tr>
<th>Internal Strategic Position</th>
<th>External Strategic Position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Position (FP)</strong></td>
<td><strong>Stability Position (SP)</strong></td>
</tr>
<tr>
<td>Return on investment</td>
<td>Technological changes</td>
</tr>
<tr>
<td>Leverage</td>
<td>Rate of inflation</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Demand variability</td>
</tr>
<tr>
<td>Working capital</td>
<td>Price range of competing products</td>
</tr>
<tr>
<td>Cash flow</td>
<td>Barriers to entry into market</td>
</tr>
<tr>
<td>Inventory turnover</td>
<td>Competitive pressure</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>Ease of exit from market</td>
</tr>
<tr>
<td>Price earnings ratio</td>
<td>Price elasticity of demand</td>
</tr>
<tr>
<td><strong>Competitive Position (CP)</strong></td>
<td>Risk involved in business</td>
</tr>
<tr>
<td>Market share</td>
<td><strong>Industry Position (IP)</strong></td>
</tr>
<tr>
<td>Product quality</td>
<td>Growth potential</td>
</tr>
<tr>
<td>Product life cycle</td>
<td>Profit potential</td>
</tr>
<tr>
<td>Customer loyalty</td>
<td>Financial stability</td>
</tr>
<tr>
<td>Capacity utilization</td>
<td>Extent leveraged</td>
</tr>
<tr>
<td>Technological know-how</td>
<td>Resource utilization</td>
</tr>
<tr>
<td>Control over suppliers and distributors</td>
<td>Ease of entry into market</td>
</tr>
<tr>
<td></td>
<td>Productivity, capacity utilization</td>
</tr>
</tbody>
</table>
Steps to Develop a SPACE Matrix

1. Select a set of variables to define financial position (FP), competitive position (CP), stability position (SP), and industry position (IP)
2. Assign a numerical value ranging from +1 (worst) to +7 (best) to each of the variables that make up the FP and IP dimensions. Assign a numerical value ranging from –1 (best) to –7 (worst) to each of the variables that make up the SP and CP dimensions.
Steps to Develop a SPACE Matrix

3. Compute an average score for FP, CP, IP, and SP

4. Plot the average scores for FP, IP, SP, and CP on the appropriate axis in the SPACE Matrix

5. Add the two scores on the x-axis and plot the resultant point on X. Add the two scores on the y-axis and plot the resultant point on Y. Plot the intersection of the new xy point
Steps to Develop a SPACE Matrix

6. Draw a *directional vector* from the origin of the SPACE Matrix through the new intersection point.

   This vector reveals the type of strategies recommended for the organization: aggressive, competitive, defensive, or conservative.
The SPACE Matrix

FIGURE 6-4
The SPACE Matrix

Conservative
- Market penetration
- Market development
- Product development
- Related diversification

Aggressive
- Backward, forward, horizontal integration
- Market penetration
- Market development
- Product development
- Diversification (related or unrelated)

Defensive
- Retrenchment
- Divestiture
- Liquidation

Competitive
- Backward, forward, horizontal integration
- Market penetration
- Market development
- Product development

Copyright ©2013 Pearson Education, Inc. publishing as Prentice Hall
Example Strategy Profiles

**FIGURE 6-5**

**Example Strategy Profiles**

- **Aggressive Profiles**
  - (+4,+4)
  - A financially strong firm that has achieved major competitive advantages in a growing and stable industry.

- **Conservative Profiles**
  - (-2,+4)
  - A firm that has achieved financial strength in a stable industry that is not growing; the firm has few competitive advantages.

- **Aggressive Profiles**
  - (+1,+5)
  - A firm whose financial strength is a dominating factor in the industry.

- **Conservative Profiles**
  - (-5,+2)
  - A firm that suffers from major competitive disadvantages in an industry that is technologically stable but declining in sales.
Example Strategy Profiles

Competitive Profiles

A firm with major competitive advantages in a high-growth industry

Defensive Profiles

A firm that has a very weak competitive position in a negative growth, stable industry

An organization that is competing fairly well in an unstable industry

A financially troubled firm in a very unstable industry
The Boston Consulting Group (BCG) Matrix

BCG Matrix

- graphically portrays differences among divisions in terms of relative market share position and industry growth rate

- allows a multidivisional organization to manage its portfolio of businesses by examining the relative market share position and the industry growth rate of each division relative to all other divisions in the organization
FIGURE 6-7
The BCG Matrix

The BCG Matrix

RELATIVE MARKET SHARE POSITION

High
1.0

Medium
0.50

Low
0.0

INDUSTRY SALES GROWTH RATE (Percentage)

High +20

Medium 0

Low -20

Stars II
• Backward, Forward, or Horizontal Integration
• Market Penetration
• Market Development
• Product Development

Question Marks I
• Market Penetration
• Market Development
• Product Development
• Divestiture

Cash Cows III
• Product Development
• Diversification
• Retrenchment
• Divestiture

Dogs IV
• Retrenchment
• Divestiture
• Liquidation
The BCG Matrix

- **Question marks – Quadrant I**
  - Organization must decide whether to strengthen them by pursuing an intensive strategy (market penetration, market development, or product development) or to sell them.

- **Stars – Quadrant II**
  - Represent the organization’s best long-run opportunities for growth and profitability.
The BCG Matrix

- **Cash Cows – Quadrant III**
  - generate cash in excess of their needs
  - should be managed to maintain their strong position for as long as possible

- **Dogs – Quadrant IV**
  - compete in a slow- or no-market-growth industry
  - businesses are often liquidated, divested, or trimmed down through retrenchment
The BCG Matrix

- The major benefit of the BCG Matrix is that it draws attention to the cash flow, investment characteristics, and needs of an organization’s various divisions.
The Internal-External (IE) Matrix

**FIGURE 6-10**

The Internal–External (IE) Matrix

- Backward, Forward, or Horizontal Integration
- Market Penetration
- Market Development
- Product Development

**THE IFE TOTAL WEIGHTED SCORES**

- **Strong**
  - 3.0 to 4.0
- **Average**
  - 2.0 to 2.99
- **Weak**
  - 1.0 to 1.99

**THE EFE TOTAL WEIGHTED SCORES**

- **High**
  - 3.0 to 4.0
- **Medium**
  - 2.0 to 2.99
- **Low**
  - 1.0 to 1.99

- **Grow and build**
- **Hold and maintain**
  - Market Penetration
  - Product Development
- **Harvest or divest**
  - Retrenchment
  - Divestiture

Legend:
- I
- II
- III
- IV
- V
- VI
- VII
- VIII
- IX
The Internal-External (IE) Matrix

- The **IE Matrix** is based on two key dimensions: the IFE total weighted scores on the x-axis and the EFE total weighted scores on the y-axis.

- **Three major regions**
  - Grow and build
  - Hold and maintain
  - Harvest or divest
The IE Matrix

FIGURE 6-12

The IE Matrix

The IFE Total Weighted Scores

Grow and Build

Segments | $ Revenue | % Revenue | $ Profit | % Profit | EFE Scores | IFE Scores
--- | --- | --- | --- | --- | --- | ---
1. | $7,868 | 71.5% | $3,000 | 59% | 2.5 | 3
2. | 1,241 | 11.3% | 1,000 | 19% | 2 | 2
3. | 1,578 | 14.3% | 800 | 16% | 3 | 3
4. | 90 | 0.8% | 100 | 2% | 2.5 | 2.5
5. | 223 | 2.1% | 200 | 4% | 3 | 2
Total | $11,000 | 100% | $5,100 | 100% | — | —
The Grand Strategy Matrix

Grand Strategy Matrix

Based on two evaluative dimensions: competitive position and market (industry) growth
The Grand Strategy Matrix

FIGURE 6-13
The Grand Strategy Matrix

RAPID MARKET GROWTH

Quadrant II
1. Market development
2. Market penetration
3. Product development
4. Horizontal integration
5. Divestiture
6. Liquidation

Quadrant I
1. Market development
2. Market penetration
3. Product development
4. Forward integration
5. Backward integration
6. Horizontal integration
7. Related diversification

WEAK COMPETITIVE POSITION

Quadrant III
1. Retrenchment
2. Related diversification
3. Unrelated diversification
4. Divestiture
5. Liquidation

Quadrant IV
1. Related diversification
2. Unrelated diversification
3. Joint ventures

SLOW MARKET GROWTH

STRONG COMPETITIVE POSITION
The Grand Strategy Matrix

- **Quadrant I**
  - Continued concentration on current markets (market penetration and market development) and products (product development) is an appropriate strategy.

- **Quadrant II**
  - Unable to compete effectively.
  - Need to determine why the firm’s current approach is ineffective and how the company can best change to improve its competitiveness.
The Grand Strategy Matrix

**Quadrant III**
- must make some drastic changes quickly to avoid further decline and possible liquidation
- Extensive cost and asset reduction (retrenchment) should be pursued first

**Quadrant IV**
- have characteristically high cash-flow levels and limited internal growth needs and often can pursue related or unrelated diversification successfully
The Quantitative Strategic Planning Matrix (QSPM)

- Quantitative Strategic Planning Matrix (QSPM)
  - objectively indicates which alternative strategies are best
  - uses input from Stage 1 analyses and matching results from Stage 2 analyses to decide objectively among alternative strategies
The Quantitative Strategic Planning Matrix (QSPM)

**TABLE 6-7  The Quantitative Strategic Planning Matrix—QSPM**

<table>
<thead>
<tr>
<th>Key Factors</th>
<th>Weight</th>
<th>Strategy 1</th>
<th>Strategy 2</th>
<th>Strategy 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key External Factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political/Legal/Governmental</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social/Cultural/Demographic/Environmental</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key Internal Factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance/Accounting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production/Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Information Systems</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Steps in a QSPM

1. Make a list of the firm’s key external opportunities/threats and internal strengths/weaknesses in the left column of the QSPM

2. Assign weights to each key external and internal factor

3. Examine the Stage 2 (matching) matrices, and identify alternative strategies that the organization should consider implementing
Steps in a QSPM (cont.)

4. Determine the Attractiveness Scores (AS)
5. Compute the Total Attractiveness Scores
6. Compute the Sum Total Attractiveness Score
Positive Features of the QSPM

- Sets of strategies can be examined sequentially or simultaneously
- Requires strategists to integrate pertinent external and internal factors into the decision process
- Can be adapted for use by small and large for-profit and nonprofit organizations
Limitations of the QSPM

- Always requires intuitive judgments and educated assumptions
- Only as good as the prerequisite information and matching analyses upon which it is based
A QSPM for a Retail Computer Store

**TABLE 6-8 A QSPM for a Retail Computer Store**

<table>
<thead>
<tr>
<th>Key Factors</th>
<th>Weight</th>
<th>AS</th>
<th>TAS</th>
<th>AS</th>
<th>TAS</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Opportunities</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Population of city growing 10%</td>
<td>0.10</td>
<td>4</td>
<td>0.40</td>
<td>2</td>
<td>0.20</td>
</tr>
<tr>
<td>2. Rival computer store opening 1 mile away</td>
<td>0.10</td>
<td>2</td>
<td>0.20</td>
<td>4</td>
<td>0.40</td>
</tr>
<tr>
<td>3. Vehicle traffic passing store up 12%</td>
<td>0.08</td>
<td>1</td>
<td>0.08</td>
<td>4</td>
<td>0.32</td>
</tr>
<tr>
<td>4. Vendors average six new products/year</td>
<td>0.05</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>5. Senior citizen use of computers up 8%</td>
<td>0.05</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>6. Small business growth in area up 10%</td>
<td>0.10</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7. Desire for websites up 18% by Realtors</td>
<td>0.06</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>8. Desire for websites up 12% by small firms</td>
<td>0.06</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><em>Threats</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Best Buy opening new store nearby in 1 year</td>
<td>0.15</td>
<td>4</td>
<td>0.60</td>
<td>3</td>
<td>0.45</td>
</tr>
<tr>
<td>2. Local university offers computer repair</td>
<td>0.08</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>3. New bypass for Hwy 34 in 1 year will divert traffic</td>
<td>0.12</td>
<td>4</td>
<td>0.48</td>
<td>1</td>
<td>0.12</td>
</tr>
<tr>
<td>4. New mall being built nearby</td>
<td>0.08</td>
<td>2</td>
<td>0.16</td>
<td>4</td>
<td>0.32</td>
</tr>
<tr>
<td>5. Gas prices up 14%</td>
<td>0.04</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>6. Vendors raising prices 8%</td>
<td>0.03</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Copyright ©2013 Pearson Education, Inc. publishing as Prentice Hall
A QSPM for a Retail Computer Store

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Probability</th>
<th>Importance</th>
<th>Likelihood</th>
<th>SWOT Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Inventory turnover increased from 5.8 to 6.7</td>
<td>0.05</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2. Average customer purchase increased from $97 to $128</td>
<td>0.07</td>
<td>2</td>
<td>0.14</td>
<td>4</td>
</tr>
<tr>
<td>3. Employee morale is excellent</td>
<td>0.10</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>4. In-store promotions resulted in 20% increase in sales</td>
<td>0.05</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>5. Newspaper advertising expenditures increased 10%</td>
<td>0.02</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>6. Revenues from repair/service segment of store up 16%</td>
<td>0.15</td>
<td>4</td>
<td>0.60</td>
<td>3</td>
</tr>
<tr>
<td>7. In-store technical support personnel have MIS college degrees</td>
<td>0.05</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>8. Store’s debt-to-total-assets ratio declined to 34%</td>
<td>0.03</td>
<td>4</td>
<td>0.12</td>
<td>2</td>
</tr>
<tr>
<td>9. Revenues per employee up 19%</td>
<td>0.02</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Probability</th>
<th>Importance</th>
<th>Likelihood</th>
<th>SWOT Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revenues from software segment of store down 12%</td>
<td>0.10</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2. Location of store negatively impacted by new Hwy 34</td>
<td>0.15</td>
<td>4</td>
<td>0.60</td>
<td>1</td>
</tr>
<tr>
<td>3. Carpet and paint in store somewhat in disrepair</td>
<td>0.02</td>
<td>1</td>
<td>0.02</td>
<td>4</td>
</tr>
<tr>
<td>4. Bathroom in store needs refurbishing</td>
<td>0.02</td>
<td>1</td>
<td>0.02</td>
<td>4</td>
</tr>
<tr>
<td>5. Revenues from businesses down 8%</td>
<td>0.04</td>
<td>3</td>
<td>0.12</td>
<td>4</td>
</tr>
<tr>
<td>6. Store has no website</td>
<td>0.05</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7. Supplier on-time delivery increased to 2.4 days</td>
<td>0.03</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>8. Often customers have to wait to check out</td>
<td>0.05</td>
<td>2</td>
<td>0.10</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1.00</td>
<td>4.36</td>
<td>3.27</td>
<td>—</td>
</tr>
</tbody>
</table>
The Politics of Strategy Choice

- Political maneuvering consumes valuable time, subverts organizational objectives, diverts human energy, and results in the loss of some valuable employees.

- Political biases and personal preferences get unduly embedded in strategy choice decisions.
The hierarchy of command in an organization, combined with the career aspirations of different people and the need to allocate scarce resources, guarantees the formation of coalitions of individuals who strive to take care of themselves first and the organization second, third, or fourth.
Tactics to Aid Strategists

- Equifinality
- Satisfying
- Generalization
- Focus on Higher-Order Issues
- Provide Political Access on Important Issues
Governance Issues

● **Board of directors**
  a group of individuals who are elected by the ownership of a corporation to have oversight and guidance over management and who look out for shareholders’ interests
### BOARD OF DIRECTOR DUTIES AND RESPONSIBILITIES

<table>
<thead>
<tr>
<th>TABLE 6-10</th>
<th>Board of Director Duties and Responsibilities</th>
</tr>
</thead>
</table>
| 1. CONTROL AND OVERSIGHT OVER MANAGEMENT | a. Select the Chief Executive Officer (CEO).  
b. Sanction the CEO’s team.  
c. Provide the CEO with a forum.  
d. Ensure managerial competency.  
e. Evaluate management’s performance.  
f. Set management’s salary levels, including fringe benefits.  
g. Guarantee managerial integrity through continuous auditing.  
h. Chart the corporate course.  
i. Devise and revise policies to be implemented by management. |
| 2. ADHERENCE TO LEGAL PRESCRIPTIONS | a. Keep abreast of new laws.  
b. Ensure the entire organization fulfills legal prescriptions.  
c. Pass bylaws and related resolutions.  
d. Select new directors.  
e. Approve capital budgets.  
f. Authorize borrowing, new stock issues, bonds, and so on. |
b. Facilitate upward progression in employee quality of work life.  
c. Review labor policies and practices.  
d. Improve the customer climate.  
e. Keep community relations at the highest level.  
f. Use influence to better governmental, professional association, and educational contacts.  
g. Maintain good public image. |
b. Stimulate corporate growth so that the firm will survive and flourish.  
c. Guard against equity dilution.  
d. Ensure equitable stockholder representation.  
e. Inform stockholders through letters, reports, and meetings.  
f. Declare proper dividends.  
g. Guarantee corporate survival. |
Principles of Good Governance

1. No more than two directors are current or former company executives
2. The audit, compensation, and nominating committees are made up solely of outside directors
3. Each director owns a large equity stake in the company, excluding stock options
4. Each director attends at least 75 percent of all meetings
Principles of Good Governance

5. The board meets regularly without management present and evaluates its own performance annually.

6. The CEO is not also the chairperson of the board.

7. Stock options are considered a corporate expense.

8. There are no interlocking directorships (where a director or CEO sits on another director’s board).
This work is protected by United States copyright laws and is provided solely for the use of instructors in teaching their courses and assessing student learning. Dissemination or sale of any part of this work (including on the World Wide Web) will destroy the integrity of the work and is not permitted. The work and materials from it should never be made available to students except by instructors using the accompanying text in their classes. All recipients of this work are expected to abide by these restrictions and to honor the intended pedagogical purposes and the needs of other instructors who rely on these materials.