

Strategies and Policies

Session 9

Strategy Definition

- ▶ The determination of the mission or purpose and the basic long-term objectives of an enterprise, followed by the adoption of courses of action and allocation of resources necessary to achieve these aims.
- ▶ A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the objectives.



Features of Strategy

- ▶ Strategy is Significant because it is not possible to foresee the future. Without a perfect foresight, the firms must be ready to deal with the uncertain events which constitute the business environment.
- ▶ Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.
- ▶ Strategy is created to take into account the probable behavior of customers and competitors. Strategies dealing with employees will predict the employee behavior.



Policy Definition

- ▶ General statements or understandings that guide manager's thinking in decision making.
- ▶ A set of ideas or a plan of what to do in particular situations that has been agreed to officially by a group of people, a business organization, a government, or a political party:



Strategic planning process

1. Clarify your vision
2. Gather and analyze information
3. Formulate a strategy
4. Implement your strategy
5. Evaluate and control



TOWS Matrix

- ▶ The TOWS Matrix is derived from the SWOT Analysis model, which stands for the internal Strengths and Weaknesses of an organisation and the external Opportunities and Threats that the business is confronted with.
- ▶ Whereas SWOT Analysis starts with an internal analysis, the TOWS Matrix starts the other way around, with an external environment analysis; the threats and opportunities are examined first.



Favourable

Unfavourable

Internal

Strengths

- { What are your strengths? }
- { What do you do better than others? }
- { What unique capabilities and resources do you possess? }
- { What do others perceive as your strengths? }

Weaknesses

- { What are your weaknesses? }
- { What do your competitors do better than you? }
- { What can you improve given the current situation? }
- { What do others perceive as your weaknesses? }

External

Opportunities

- { What trends or conditions may positively impact you? }
- { What opportunities are available to you? }

Threats

- { What trends or conditions may negatively impact you? }
- { What are your competitors doing that may impact you? }
- { Do you have solid financial support? }
- { What impact do your weaknesses have on the threats to you? }

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- ▶ From that standpoint, an organisation gets a clear picture of its environment and the opportunity to think about strategy and what direction the company will go in. Next the company's strengths and weaknesses are considered; what it's good at internally and what it's not so good at.
 - ▶ The external analysis is linked to the analysis and the resulting TOWS Matrix can help an organisation to make decisions better, seize opportunities and protect itself better against threats.



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- ▶ The TOWS Matrix is not just meant for the highest levels of management in an organisation. It can be a very useful tool for departments (i.e. a marketing or sales team) or for individual employees on an operational level. Once it's employee's or a department's strengths are known, these can be improved further to become even better. The TOWS Matrix emphasizes the external environment.



Four Alternative strategies

This helps you identify strategic alternatives that address the following additional questions:

- ▶ Strengths and Opportunities (SO) – How can you use your strengths to take advantage of the opportunities?
- ▶ Strengths and Threats (ST) – How can you take advantage of your strengths to avoid real and potential threats?
- ▶ Weaknesses and Opportunities (WO) – How can you use your opportunities to overcome the weaknesses you are experiencing?
- ▶ Weaknesses and Threats (WT) – How can you minimize your weaknesses and avoid threats?

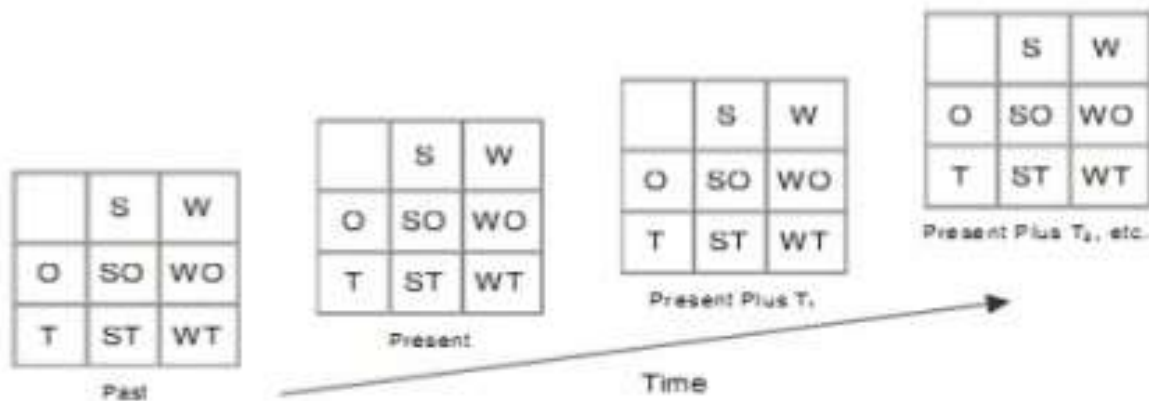


TOWS Matrix for strategy formulation

<div>Internal factors</div> <div>External factors</div>	Internal strengths (S) <i>Strengths of management, operations, finance, marketing, research and development, engineering.</i>	Internal weaknesses (W) <i>Weaknesses in the spheres mentioned in the cell "internal strengths"</i>
External opportunities (O) <i>(Consider also a risk) such as current and future economic conditions, political and social changes, new products, services and technology.</i>	SO strategy: Maxi – Maxi <i>Potentially the most successful strategy which uses strengths of an organization for utilizing opportunities.</i>	WO strategy: Mini – Maxi <i>Such as a development strategy to overcome weaknesses in order to take advantage of opportunities.</i>
External threats (T) <i>Such as lack of energy, competitiveness and shortcomings in the areas mentioned in the previous cell "external opportunities"</i>	ST strategy: Maxi - Mini <i>Such as the use of internal strengths to overcome the threats or to circumvent them.</i>	WT strategy: Mini - Mini <i>Such as reduction, winding-up or joint venture.</i>

Time dimension and the TOWS Matrix

TIME DIMENSION AND THE TOWS MATRIX



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- ▶ Application of the TOWS Merger Matrix for Mergers, Acquisitions, Joint ventures, and Alliances

SWOT ANALYSIS OF MC'DONALDS

- ▶ **Strengths in the SWOT analysis of McDonalds**
- ▶ Brand Equity...world-wide
- ▶ 42% of US fast-food hamburger business
- ▶ Consistency of food
- ▶ Successful items: Fries, Happy Meal, Big Mac, Egg McMuffin, Promotions
- ▶ Overseas market
- ▶ Balance sheet position



▶ **WEAKNESSES in the SWOT analysis of McDonalds**

- ▶ Declining market share
- ▶ Weak product development
- ▶ Disgruntled franchisees
- ▶ Quality and taste of products
- ▶ Slowed revenue and income growth



▶ **OPPORTUNITIES in the SWOT analysis of McDonalds**

- ▶ International expansion
- ▶ Growing dining-out market
- ▶ Joint ventures with retailers (e.g. supermarkets).
- ▶ Consolidation of retailers likely, so better locations for franchisees.
- ▶ Respond to social changes – by innovation within healthier lifestyle foods. Its move into hot baguettes and healthier snacks (fruit) has supported its new positioning.
- ▶ Use of CRM, database marketing to more accurately market to its consumer target groups. It could identify likely customers (based on modelling and profiles of shoppers) and prevent brand switching[4].
- ▶ Strengthen its value proposition and offering, to encourage customers who visit coffee shops into McDonalds.
- ▶ The new “formats”, McCafe, having Wifi internet links should help in attracting segments. Also installing children’s play-parks and its focus on educating consumers about health, fitness.
- ▶ Continued focus on corporate social responsibility, reducing the impact on the environment and community linkages.
- ▶ International expansion into emerging markets of China and India.



▶ **THREATS in the SWOT analysis of McDonalds**

- ▶ Strength of competition
- ▶ More health-conscious consumers
- ▶ Changing demographics
- ▶ Fluctuation of foreign exchange rates; Economies

