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chapter

Strategic Analysis

Quick Revision Notes

“Water shapes its course according to the nature of the ground over which it flows; the soldier works out his victory in relation to the foe that he is facing.” - Sun Tzu, The Art of War

4 Strategy Formulation -Situation Analysis:SWOT Analysis

Strategy Formulation begins with **Situation Analysis**.

Situation Analysis is the **process of finding a strategic fit between external opportunities and internal strengths while working around external threats and internal weaknesses**.

Elements considered for Situation Analysis

- **Product situation**
- **Competitive situation**
- **Distribution situation**
- **Environmental factors**
- **Opportunity and issue analysis**

SWOT

SWOT - Strengths, Weaknesses, Opportunities and Threats.

The external environment consists of Opportunities and Threats.

- An **opportunity** is **a favourable condition** in the organization's environment which **enables it to consolidate and strengthen its position**.
- A **threat** is **an unfavourable condition** in the organization's environment which **creates a risk for, or causes damage** to, the organization.

The internal environment of a corporation consists of Strengths and Weaknesses.

- A **strength** is **an inherent capacity** which an organization can use **to gain strategic advantage** over its competitors.
- A **weakness** is **an inherent limitation** or constraint **which creates a strategic disadvantage**.

The significance of SWOT analysis

Helps in deciding suitable strategy through development of combination of relationships such as high opportunities and high strengths, high opportunities and low strengths, high threats and high strengths, high threats and low strengths.

5 Strategy Formulation-Generating Alternative Strategies: TOWS Matrix

Generating Alternative Strategies

TOWS Matrix (**TOWS is just another way of saying SWOT**) can be used to generate alternative strategies using the same inputs (Strengths, Weaknesses, Opportunities, and Threats)





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