that most organizations only get faced with a "golden opportunity" once or twice a decade. The mark of a firm that can adapt to new conditions and still come out a market leader is recognizing and reacting to such opportunities. Opportunities that have a low impact or are in the future may justify serious investment and perhaps an experimental entry into a new business area to gain information, but the resource commitment is likely to be more modest.

In general, lost opportunities are costly and common. As Drucker wrote in several forms, "Managers need to spend more time on opportunities and less on solving problems."

Combining Elements in a SWOT Analysis

The goal of this analysis is to identify the firm's net ability (strengths – weaknesses) to defend itself against current and emerging environmental threats or to offensively exploit opportunities in the environment. Take the example Gillette versus Dollar Shave Club (DSC). DSC took advantage of lower barriers to entry to reach markets through Internet channels instead of traditional retail channels when it was founded in 2011. DSC began as a subscription model that delivered a razor and an ongoing supply of blades to buyers' (mostly men) homes. Billed as a "club" and touted through engaging Internet ads that target men's desire to have a simple shaving experience and forgo the retail experience ("shave money, shave time"), DSC grew to 5 percent market share within its first five years of business.[37] Other new entrants followed, and lingering effects of the great recession made the monthly fees ease some of the financial burden facing many customers. It is likely that P&G, maker of Gillette, considered this entrant and the larger trend a threat. However, P&G's considerable branding competency, its strong relationships with the retail channel, its financial resources, and Gillette's long-standing reputation and many loyal followers will help P&G defend its 60 percent market share. As a weakness, Gillette is a well-established brand that is not as contemporary as the Internet startups entering the market. Further, the high price of a Gillette razor is a vulnerability. A SWOT analysis would consider these facts and other potential scenarios that might emerge. How will trade agreements with China or South Korea, where DSC manufacturers its products, affect its price? Will DSC enter traditional retail markets like three-year-old Harry's Razor Company recently entered Target and stole 10 percent market share from P&G?[38] Will it be purchased by a major competitor that can improve its reach? How well can P&G defend itself in these different scenarios? Is there an opportunity for P&G to enter the online shave club business with an entrant of its own? In fact, DSC was bought by Unilever in 2016 for 1 billion dollars and P&G entered with gilletteshaveclub.com but at considerably higher prices than DSC.

FROM ANALYSIS TO STRATEGY

In making strategic decisions, inputs from a variety of assessments are relevant, as the last several chapters have already made clear. However, the core of any strategic decision should be based on three types of assessments. The first concerns firm strengths and weaknesses. The second evaluates competitor strengths, weaknesses, and strategies because a company's strength is of less value if it is neutralized by a competitor's strength or strategy. The third assesses the market and environmental context, including the customers and their needs, the market, and the larger environment, in order to determine how attractive the selected market will be, given the business strategy.

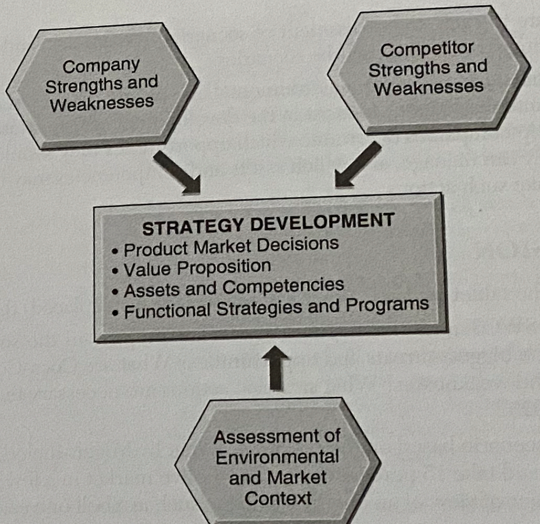

Figure 5.6 Structuring Strategic Decisions

The goal is to develop a strategy that exploits business strengths and competitor weaknesses and neutralizes business weaknesses and competitor strengths. The ideal is to compete in a healthy, growing industry with a strategy based on strengths that are unlikely to be acquired or neutralized by competitors. Figure 5.6 summarizes how these three assessments combine to influence strategy.

GE's decision to sell its small-appliance division illustrates these strategic principles. Small appliances were a part of GE's legacy and linked to its lamp and major-appliance product lines in the minds of retailers and customers. The small-appliance industry was not profitable, however, in part because of overcapacity and retailer power, which cut into GE's margins. Also, cost pressures contributed to a reduction in product performance and reliability. Further, GE's strengths, such as its technological superiority and financial resources, were not being leveraged in the small-appliance business, as any innovation could be copied. Thus, GE decided that a strategic fit did not exist and it sold the small-appliance business to Black & Decker.

KEY LEARNINGS

- Environmental analysis of technology, customer, political, and economic trends can detect opportunities or threats relevant to an organization.
- Impact analysis involves assessing systematically the impact and immediacy of the trends and events that underlie each strategy uncertainty.
- Scenario analysis, a vehicle to explore different assumptions about the future, involves the creation of two to three plausible scenarios, the development of strategies