Problems in performance can derive from an inappropriate statement of mission, which may be too narrow or too broad. If 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—to the detriment of the corporation as a whole.

A company's objectives can also be inappropriately stated. They can either focus too much on short-term operational goals or be so general that they provide little real guidance. There may be a gap between planned and achieved objectives. When such a gap occurs, either the strategies have to be changed to improve performance or the objectives need to be adjusted downward to be more realistic. Consequently, objectives should be constantly reviewed to ensure their usefulness. This is what happened at Boeing when management decided to change its primary objective from being the largest in the industry to being the most profitable. This had a significant effect on its strategies and policies. Following its new objective, the company cancelled its policy of competing with Airbus on price and abandoned its commitment to maintaining a manufacturing capacity that could produce more than half a peak year's demand for airplanes.[5]

6.3 Generating Alternative Strategies by Using a TOWS Matrix

Thus far we have discussed how a firm uses SWOT analysis to assess its situation. SWOT can also be used to generate a number of possible alternative strategies. 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. (See **Figure 6–3**.) 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.

FIGURE 6–3
TOWS Matrix

EXTERNAL FACTORS (EFAS) / INTERNAL FACTORS (IFAS)	**Strengths (S)** List 5 – 10 *internal* strengths here	**Weaknesses (W)** List 5 – 10 *internal* weaknesses here
Opportunities (O) List 5 – 10 *external* 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 *external* threats here	**ST Strategies** Generate strategies here that use **strengths** to **avoid threats**	**WT Strategies** Generate strategies here that **minimize weaknesses** and **avoid threats**

SOURCE: *Reprinted from* Long-Range Planning, *Vol. 15, No. 2, 1982, Weihrich "The TOWS Matrix—A Tool For Situational Analysis," p. 60. Copyright © 1982 with permission of Elsevier.*

To generate a TOWS Matrix for Maytag Corporation in 1995, for example, use the External Factor Analysis Summary (EFAS) Table listed in **Table 4–5** from **Chapter 4** and the Internal Factor Analysis Summary (IFAS) Table listed in **Table 5–2** from **Chapter 5**. To build **Figure 6–4**, 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 (**Table 4–5**).
2. In the **Threats (T)** block, list the external threats facing the company or unit now and in the future from the EFAS Table (**Table 4–5**).
3. In the **Strengths (S)** block, list the specific areas of current and future strength for the company or unit from the IFAS Table (**Table 5–2**).
4. In the **Weaknesses (W)** block, list the specific areas of current and future weakness for the company or unit from the IFAS Table (**Table 5–2**). 15
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.

The TOWS Matrix is very useful for generating a series of alternatives that the decision makers of a company or business unit might not otherwise have considered. It can be used for the corporation as a whole (as is done in **Figure 6–4** with Maytag Corporation before it sold Hoover Europe), or it can be used for a specific business unit within a corporation (such as Hoover's floor care products). Nevertheless using a TOWS Matrix is only one of many ways to generate alternative strategies. Another approach is to evaluate each business unit within a corporation in terms of possible competitive and cooperative strategies.

6.4 Business Strategies

Business strategy focuses on improving the competitive position of a company's or business unit's products or services within the specific industry or market segment that the company or business unit serves. Business strategy is extremely important because research shows that business unit effects have double the impact on overall company performance than do either corporate or industry effects.[7] Business strategy can be competitive (battling against all competitors for advantage) and/or cooperative (working with one or more companies to gain advantage against other competitors). Just as corporate strategy asks what industry(ies) the company should be in, business strategy asks how the company or its units should compete or cooperate in each industry.

PORTER'S COMPETITIVE STRATEGIES

Competitive strategy raises the following questions:

- Should we compete on the basis of lower cost (and thus price), or should we differentiate our products or services on some basis other than cost, such as quality or service?

FIGURE 6-4 Generating a TOWS Matrix for Maytag Corporation

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	1.00		3.05	

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	1.00		3.15	

*The most important external and internal factors are identified in the EFAS and IFAS Tables as shown here by shading these factors.

Strengths →
Weaknesses →

Internal Factors (IFAS Table 5–2) / External Factors (EFAS Table 4–5)	Strengths (S)	Weaknesses (W)
	S1 Quality Maytag culture S2 Experienced top management S3 Vertical integration S4 Employee relations S5 Hoover's international orientation	W1 Process-oriented R&D W2 Distribution channels W3 Financial position W4 Global positioning W5 Manufacturing facilities
Opportunities (O)	**SO Strategies**	**WO Strategies**
O1 Economic integration of European Community O2 Demographics favor quality O3 Economic development of Asia O4 Opening of Eastern Europe O5 Trend toward super stores	• *Use worldwide Hoover distribution channels to sell both Hoover and Maytag major appliances.* • *Find joint venture partners in Eastern Europe and Asia.*	• *Expand Hoover's presence in continental Europe by improving Hoover quality and reducing manufacturing and distribution costs.* • *Emphasize superstore channel for all non-Maytag brands.*
Threats (T)	**ST Strategies**	**WT Strategies**
T1 Increasing government regulation T2 Strong U.S. competition T3 Whirlpool and Electrolux positioned for global economy T4 New product advances T5 Japanese appliance companies	• *Acquire Raytheon's appliance business to increase U.S. market share.* • *Merge with a Japanese major home appliance company.* • *Sell off all non-Maytag brands and strongly defend Maytag's U.S. niche.*	• *Sell off Dixie-Narco Division to reduce debt.* • *Emphasize cost reduction to reduce break-even point.* • *Sell out to Raytheon or a Japanese firm.*

Opportunities →
Threats →

O1 O2
W2–W5

- Should we compete head to head with our major competitors for the biggest but most sought-after share of the market, or should we focus on a niche in which we can satisfy a less sought-after but also profitable segment of the market?

Michael Porter proposes two "generic" competitive strategies for outperforming other corporations in a particular industry: lower cost and differentiation.[10] These strategies are called generic because they can be pursued by any type or size of business firm, even by not-for-profit organizations:

- **Lower cost strategy** is the ability of a company or a business unit to design, produce, and market a comparable product more efficiently than its competitors.
- **Differentiation strategy** is the ability of a company to provide unique and superior value to the buyer in terms of product quality, special features, or after-sale service.

F-30

Porter further proposes that a firm's competitive advantage in an industry is determined by its **competitive scope**, that is, the breadth of the company's or business unit's target market. Before using one of the two generic competitive strategies (lower cost or differentiation), the firm or unit must choose the range of product varieties it will produce, the distribution channels it will employ, the types of buyers it will serve, the geographic areas in which it will sell, and the array of related industries in which it will also compete. This should reflect an understanding of the firm's unique resources. Simply put, a company or business unit can