
Chapter 3

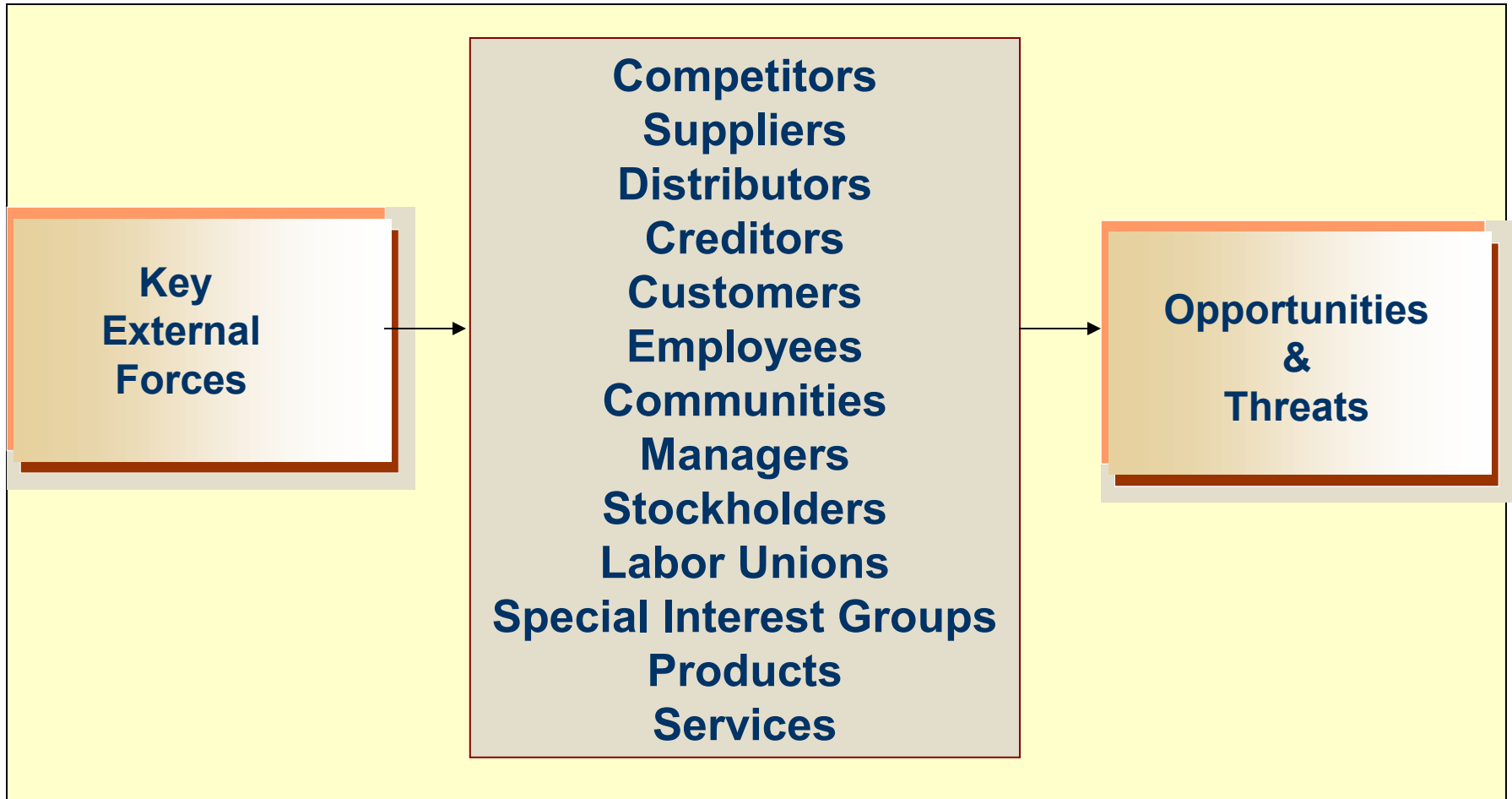
The External Assessment

**Strategic
Management:
Concepts & Cases
11th Edition
Fred David**

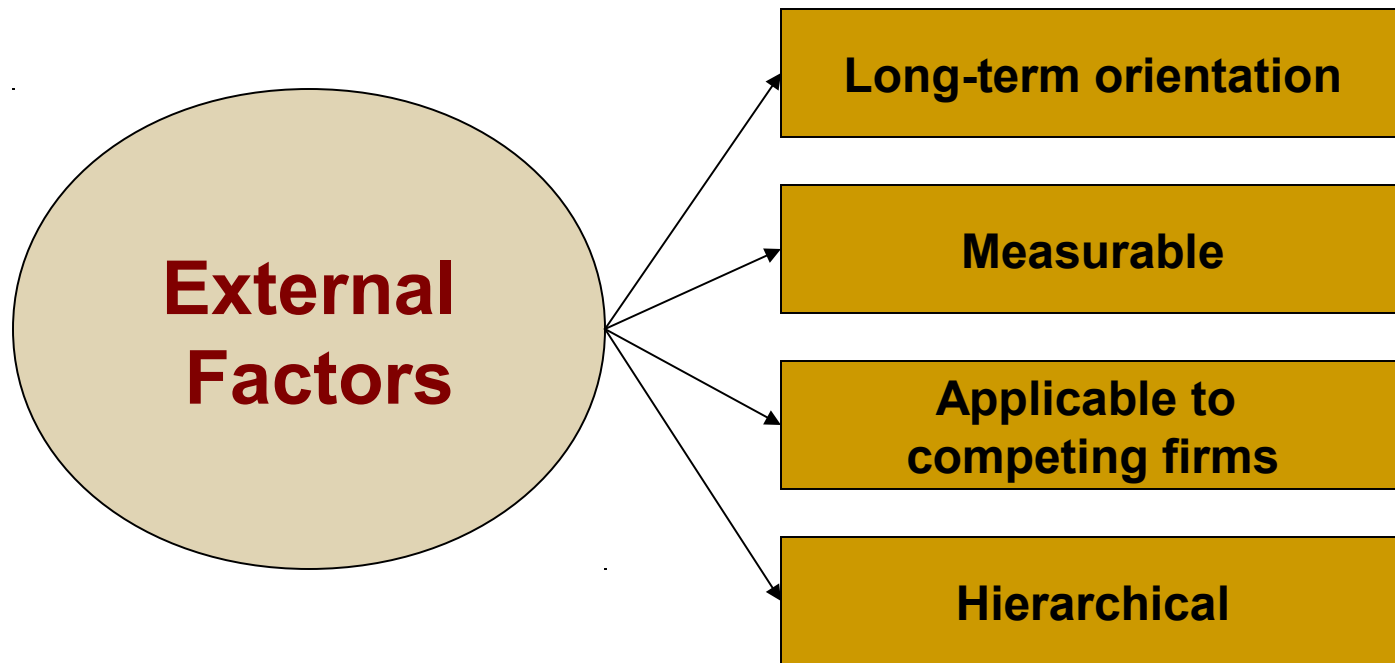


Key External Forces & the Organization

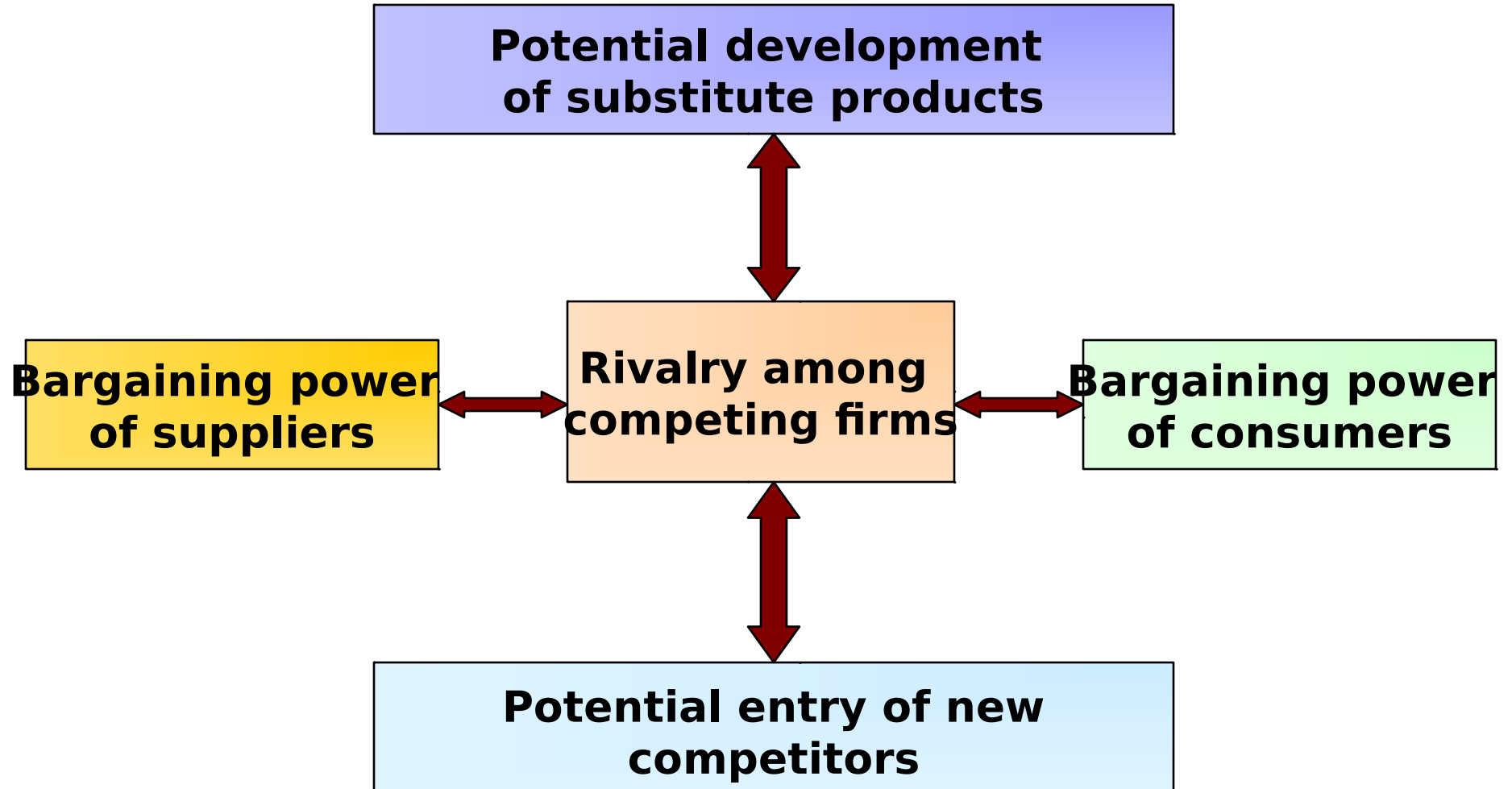
Beyond control of organization!



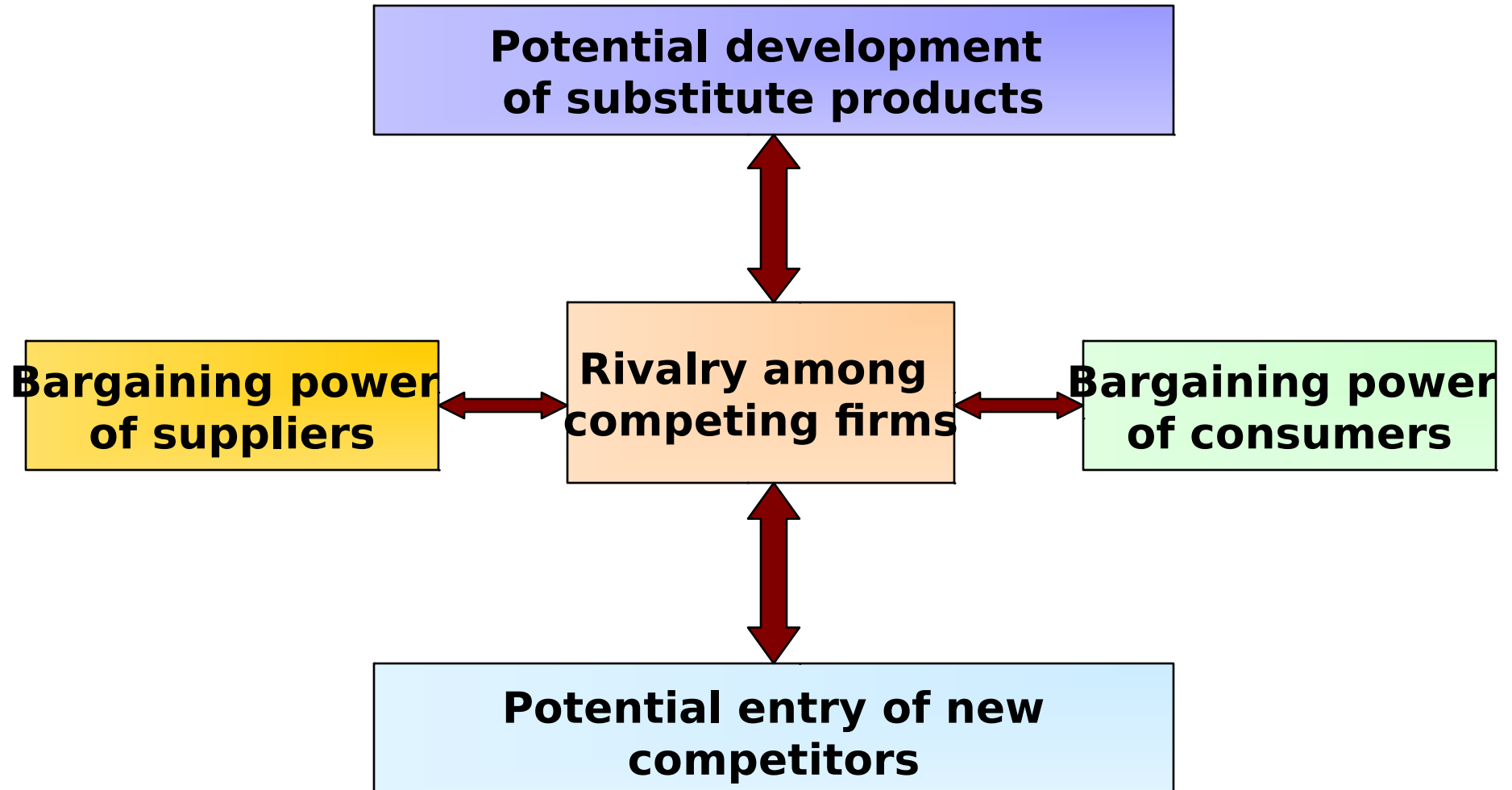
Performing External Audit



Porter's Five Forces



The Five-Forces Model of Competition (Porter)



Industry Analysis: The External Factor Evaluation (EFE) Matrix

Summarize & Evaluate

Economic	Demographic	Governmental
Social	Environmental	Technological
Cultural	Political	Competitive

TABLE 3-8 EFE Matrix for the Poultry Firm: Pilgrim's Pride

KEY EXTERNAL FACTORS	WEIGHT	RATING	WEIGHTED SCORE
<i>Opportunities</i>			
1. Demand for chicken increasing 8 percent annually.	0.07	4	0.28
2. Demand for prepared food increasing 10 percent annually.	0.08	4	0.32
3. Exporting of chicken growing 12 percent annually.	0.05	3	0.15
4. Packaging technology offers 15 percent annual cost savings.	0.03	2	0.06
5. Genetic research offers 20 percent faster-growing of chicks.	0.03	2	0.06
6. Leading competitor could be acquired for \$1 billion.	0.02	1	0.02
7. Chicken costs 40 percent less than other meats.	0.05	3	0.15
8. New treatment to reduce salmonella in chicks.	0.04	2	0.08
9. New laws governing migrant workers aid industry.	0.03	4	0.12
<i>Threats</i>			
10. Chicken industry reputation not good due to conditions.	0.05	3	0.15
11. Leading competitor increased its ad expenses 30 percent.	0.06	1	0.06
12. Increasing governmental regulation in the industry.	0.04	2	0.08
13. Salmonella scares crop up frequently.	0.06	2	0.12
14. Industry is highly labor intensive and subject to unions.	0.06	4	0.24
15. Interest rates are rising 1 percent annually.	0.04	2	0.08
16. Drought conditions raise grain prices.	0.05	2	0.10
17. Leading rival firms are more fully integrated.	0.07	2	0.14
18. Illegal immigrant problem plagues the firm.	0.09	3	0.27
19. Industry has profit margins less than 3 percent.	<u>0.08</u>	1	<u>0.08</u>
Total	1.00		2.56

External Factors

- It's hard to write them!
- **Weekend Exercise** for Intuit

Industry Analysis EFE

Total weighted score of 4.0

- Organization response is outstanding to threats and weaknesses

Total weighted score of 1.0

- Firm's strategies not capitalizing on opportunities or avoiding threats

Industry Analysis: Competitive Profile Matrix (CPM)

Identifies firm's major competitors and their strengths & weaknesses in relation to a sample firm's strategic positions

		Gateway		Apple		Dell	
CSF's	Wt	Rating	Wt'd Score	Rating	Wt'd Score	Rating	Wt'd Score
Market share	0.15	3	0.45	2	0.30	4	0.60
Inventory sys	0.08	2	0.16	2	0.16	4	0.32
Fin. position	0.10	2	0.20	3	0.30	3	0.30
Prod. Quality	0.08	3	0.24	4	0.32	3	0.24
Cons. Loyalty	0.02	3	0.06	3	0.06	4	0.08
Sales Distr	0.10	3	0.30	2	0.20	3	0.30
Global Exp.	0.15	3	0.45	2	0.30	4	0.60
Org. Structure	0.05	3	0.15	3	0.15	3	0.15

		Gateway		Apple		Dell	
CSF's (cont'd)	Wt	Rating	Wt'd Score	Rating	Wt'd Score	Rating	Wt'd Score
Prod. Capacity	0.04	3	0.12	3	0.12	3	0.12
E-commerce	0.10	3	0.30	3	0.30	3	0.30
Customer Serv	0.10	3	0.30	2	0.20	4	0.40
Price competitive	0.02	4	0.08	1	0.02	3	0.06
Mgt. experience	0.01	2	0.02	4	0.04	2	0.02
Total	1.00		2.83		2.47		3.49

UST—Key External Factors <i>Opportunities</i>	Weight	Rating	Weighted score
Global markets untapped	.15	1	.15
Increased demand	.05	3	.15
Astronomical Internet growth	.05	1	.05
Pinkerton leader in discount market	.15	4	.60
More social pressure to quit smoking	.10	3	.30
<i>Threats</i>			
Legislation against the tobacco industry	.10	2	.20
Production limits on tobacco	.05	3	.15
Smokeless market SE region U.S.	.05	2	.10
Bad media exposure from FDA	.10	2	.20
Clinton Administration	.20	1	.20
TOTAL	1.00		2.10

(CPM)

Avon

L'Oreal

**Procter
& Gamble**

Critical Success Factor	Weight	Rating	Score	Rating	Score	Rating	Score
Advertising	0.20	1	0.2	4	0.8	3	0.60
Product Quality	0.10	4	0.4	4	0.4	3	0.30
Price Competition	0.10	3	0.3	3	0.3	4	0.40
Management	0.10	4	0.4	3	0.3	3	0.30
Financial Position	0.15	4	0.6	3	0.4	3	0.45
Customer Loyalty	0.10	4	0.4	4	0.5	2	0.20
Global Expansion	0.20	4	0.8	2	0.4	2	0.40
Market Share	0.05	1	0.0	4	0.2	3	0.15
Total	1.00		3.1		3.2		2.80

Mission Statement (proposed)

Our mission is to provide cruise and travel services (2) to travelers worldwide (1, 3), to develop household name brand awareness, to respect and protect the earth and seas on which we sail (6), to serve the communities in which our consumers and employees reside (8,9), and to stay an innovator by bringing cutting edge technology and research for our consumer's benefit (4). We recognize that we must stay financially solvent and must make those decisions that will capitalize on opportunities for growth and longevity (5). We believe we must exceed every consumer's expectations, supplying lasting memories, and enticing repeat business all at a fair value. We recruit, compensate and retain the best staff and ship employees in the business (7, 9).

Competitive Profile Matrix – Royal Caribbean

EFE Matrix

Key External Factors	Weight	Rating	Weighted Score
Opportunities			
Nearly 88% of North Americans have never been on a cruise.	0.15	4	0.60
Cruise vacations are seen as a choice of older travelers; leaving minorities and young adult markets virtually untapped	0.08	3	0.24
Distribution networks at home and abroad may be an untapped source for generating increased business	0.07	3	0.21
Internet use is increasing; commonly the tool used to secure reservations for many travelers	0.08	3	0.24
Several markets overseas, such as, France, Italy, have a market of would be cruisers	0.10	2	0.20
Threats			
Increase in regulation by US regarding environmental issues and economic downturns	0.08	2	0.16
Alaskan legislators are considering a \$50 tax per cruise ship passenger	0.05	2	0.10
Location and severity of terrorist attacks; namely September 11 th events	0.10	3	0.30
War and political uprisings	0.10	3	0.30
Drastic changes in the world oil market and currency exchange	0.02	1	0.02
Existing and potential litigation	0.02	1	0.02
Increased capacity of competitors and pricing wars	0.05	2	0.10
Transfer of information through collective bargaining agreements	0.03	1	0.03
Competitors: Carniyal and P & O	0.07	2	0.14
Total	1.00		2.56