

ORGANISATIONAL STRATEGY

FUNDAMENTAL STRATEGY

SWOT ANALYSIS INTO TOWS ANALYSIS

VIDEO FOR ANALYSIS SWOT INTO TOWS

- <https://www.youtube.com/watch?v=5Op6l-X6ifU>

THE TOWS MATRIX

- TOWS Analysis is an extension of the classic analytics tool, SWOT Analysis.
- TOWS and SWOT are acronyms for different arrangements of the words: Strengths, Weaknesses, Opportunities and Threats. But, while SWOT tends to focus on brainstorming all points that fall under these four headings, TOWS takes it to the next step.

WHY TO USE TOWS?

- You can use both tools in combination to assess and refine your organizational or departmental strategy. You can also use them to think about a process, a marketing campaign, or even your own career.
- We look at the differences between SWOT and TOWS, and how you can use both to assess, refine and improve your current strategy.

WHAT IS A TOWS ANALYSIS?

- A TOWS analysis is very similar to SWOT, however there is a key difference between the two, other than a reshuffling of a few letters!
- While SWOT analysis, puts the emphasis on the internal environment (your strengths and weaknesses), TOWS forces you to look at your external environment first (your threats and opportunities).
- Doing this allows you to gain better understanding of the strategic choices that you face. (Remember that "strategy" is the art of determining how you'll "win" in business and life.) It helps you ask, and answer, the following questions:

-
- How can we make the most of our strengths?
 - How do we circumvent our weaknesses?
 - How can we capitalize on external opportunities?
 - How should we best manage threats?
 - Once you've answered these questions, the next step is to match external opportunities and threats with your internal strengths and weaknesses, as illustrated in the matrix below:

		Positive	Negative
Internal factors	Strengths	<ul style="list-style-type: none"> * Technological skills * Leading Brands * Distribution channels * Customer Loyalty/Relationship * Production quality * Scale * Management 	Weaknesses
			<ul style="list-style-type: none"> * Absence of important skills * Weak brands * Peer access to distribution * Low customer retention * Unreliable product/service * Sub-scale * Management
External factors	Opportunities	<ul style="list-style-type: none"> * Changing customer tastes * Liberalisation of geographic markets * Technological advances * Changes in government policies * Lower personal taxes * Change in population age-structure * New distribution channels 	Threats
			<ul style="list-style-type: none"> * Changing customer tastes * Closing of geographic markets * Technological advances * Changes in government policies * Tax increases * Change in population age structure * New distribution channels

TOWS STRATEGIC ALTERNATIVES MATRIX

	Strength	Weakness
	Internal advantages	Internal disadvantages
Opportunity		
External Opportunities	Maximize strengths to seize the opportunities	Use opportunity to offset the weaknesses
Threat		
External Threats	Maximize strengths to mitigate threats	Minimize weakness to mitigate threats

INTERNAL

strengths

- Brand identity
- Pioneer advantage
- Cost advantage
- Continuous business improvement

weaknesses

- Low profit margins
- Seasonality

POSITIVE

opportunities

- Diversification of e-commerce business
- Continues to increase awareness of its own branded products and services
- Expansion of local businesses
- Promotion of strategic cooperation with affiliated industries

threats

- Loss of profits due to low profit margins
- Patent infringement
- E-commerce industry barriers
- Cybersecurity issues

NEGATIVE

EXTERNAL

HOW TO USE A TOWS MATRIX

- Step 1: Do a SWOT Analysis
- Print off our free SWOT Worksheet and perform a TOWS/SWOT analysis, recording your findings in the space provided. This will help you to understand what your strengths and weaknesses are, as well as identifying the opportunities and threats that you should be looking at.

STEP 2: TRANSLATE YOUR FINDINGS USING A TOWS MATRIX

- Print off our free TOWS Strategic Options Worksheet, and copy the key conclusions from your SWOT Worksheet into the area provided (shaded in blue).

STEP 3: LINK AND ASSESS YOUR STRATEGIC OPTIONS

- For each combination of internal and external environmental factors, consider how you can use them to create good strategic options:
- Strengths and Opportunities (SO) – How can you use your strengths to take advantage of these 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?

SWOT ANALYSIS



NOTE:

- The WT quadrant – weaknesses and threats – is concerned with defensive strategies. Put these into place to protect yourself from loss, however don't rely on them to create success.

TIP:

WHEN YOU HAVE MANY FACTORS TO CONSIDER, IT MAY BE HELPFUL TO CONSTRUCT A MATRIX TO MATCH INDIVIDUAL STRENGTHS AND WEAKNESSES TO THE INDIVIDUAL OPPORTUNITIES AND THREATS YOU'VE IDENTIFIED. TO DO THIS, YOU CAN CONSTRUCT A MATRIX SUCH AS THE ONE BELOW FOR EACH QUADRANT (SO, ST, WO, AND WT).

- SO Matrix S1 S2 S3 S4
- O1
- O2
- O3
- O4
- This helps you to carry out a detailed analysis of the options that hold the greatest promise. Note any new alternatives you identify on the TOWS Strategic Alternatives worksheet.

STEP 4: EVALUATE YOUR STRATEGIC OPTIONS

- Evaluate the options you've generated, and identify the ones that will have the greatest benefit, and that best achieve the mission and vision of your organization. Add these to the other strategic options that you're considering.

KEY POINTS

THE TOWS MATRIX IS A RELATIVELY SIMPLE TOOL FOR GENERATING STRATEGIC OPTIONS. IT STANDS FOR:

- Threats.
- Opportunities.
- Weaknesses.
- Strengths.
- It's a variation of SWOT analysis, but differs because SWOT focuses on internal factors (strengths and opportunities), while TOWS focuses on external factors (threats and opportunities).
- By using it, you can look intelligently at how you can best take advantage of the opportunities open to you, and minimize any weaknesses that might result in threats. It can also help you to consider how to use the external environment to your strategic advantage and identify some of the strategic options available to you.

	Opportunities (external, positive)	Threats (external, negative)
Strengths (internal, positive)	<p>Strength-Opportunity strategies</p> <p>Which of the company's strengths can be used to maximize the opportunities you identified?</p>	<p>Strength-Threats strategies</p> <p>How can you use the company's strengths to minimize the threats you identified?</p>
Weaknesses (internal, negative)	<p>Weakness-Opportunity strategies</p> <p>What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?</p>	<p>Weakness-Threats strategies</p> <p>How can you minimize the company's weaknesses to avoid the threats you identified?</p>

<p>The organisation</p>	<p>Strengths – S</p> <ol style="list-style-type: none"> Existing brand Existing customer base Existing distribution 	<p>Weaknesses – W</p> <ol style="list-style-type: none"> Brand perception Intermediary use Technology/skills Cross-channel support
<p>Opportunities – O</p> <ol style="list-style-type: none"> Cross-selling New markets New services Alliances/co-branding 	<p>SO strategies</p> <p>Leverage strengths to maximise opportunities = Attacking strategy</p>	<p>WO strategies</p> <p>Counter weaknesses through exploiting opportunities = Build strengths for attacking strategy</p>
<p>Threats – T</p> <ol style="list-style-type: none"> Customer choice New entrants New competitive products Channel conflicts 	<p>ST strategies</p> <p>Leverage strengths to minimise threats = Defensive strategy</p>	<p>WT strategies</p> <p>Counter weaknesses and threats = Build strengths for defensive strategy</p>

<p>Internal Factors</p> <p>External Factors</p>	<p>Strengths</p> <p>S1 R n D S2 Whirlpool's Culture S3 Quality S4 Marketing Strategies</p>	<p>Weaknesses</p> <p>W1 Financial Position W2 Global Positioning W3 Manufacture Facilities</p>
<p>Opportunities</p> <p>O1 Economic integration of Europe O2 Internet / e-commerce O3 Economic development in Asia and L. America O4 Innovations O5 Increase in disposable income O6 Harmonization of standards</p>	<p>SO Strategies</p> <p>S1O3 Focus on Asian mrket and make products conforming to living patterns S4O5 Increase marketing capabilities to the upscale market S2O3 Get ready for the internet boom</p>	<p>WO Strategies</p> <p>W1W2O3 Cut costs and go for mergers in Asia W2O4 Bring new products to market to get better position globally</p>
<p>Threats</p> <p>T1 Global competition T2 Demand saturated T3 Economies of scale</p>	<p>ST Strategies</p> <p>S2S3T2 Buy Maytag to increase market share in U.S S1S4T1 Leverage use of RnD and marketing to compete on global fronts</p>	<p>WT Strategies</p> <p>W1T3 Shift facilities to India and China for cheap labor. W1T2 Sell some of the facilities and units not profitable</p>

	<p><u>Internal Strengths:</u></p> <ol style="list-style-type: none"> 1. Strong R & D and Engineering 2. Strong Sales and Service Network 3. Efficient Production/Automation Capabilities 	<p><u>Internal Weaknesses:</u></p> <ol style="list-style-type: none"> 1. Heavy Reliance on One Product (Although Several Less Successful Models were Introduced) 2. Rising Costs in Germany 3. No Experience With U.S. Labor Unions if Building Plant in the U.S.
<p><u>External Opportunities:</u> (Also Consider Risks)</p> <ol style="list-style-type: none"> 1. Growing Affluent Market Demands More Luxurious Cars with Many Options 2. Attractive Offers to Build an Assembly Plant in U.S. 3. Chrysler and American Motors Need Small Engines 	<p><u>SO:</u></p> <ol style="list-style-type: none"> 1. Develop and Produce Multiproduct Line with Many Options, in Different Price Classes (Dasher, Scirocco, Rabbit, Audi Line) (O₁ S₁ S₂) 2. Build Assembly Plant Using R & D, Engineering, and Production/Automation Experience (O₂ S₁ S₃) 3. Build Engines for Chrysler and AMC (O₃ S₃) 	<p><u>WO:</u></p> <ol style="list-style-type: none"> 1. Develop Compatible Models for Different Price Levels (Ranging from Rabbit to Audi Line) (O₁ W₁) 2. To Cope with Rising Costs in Germany, Build Plant in U.S., Hiring U.S. Managers with Experience in Dealing with U.S. Labor Unions (O₂ W₂ W₃)
<p><u>External Threats:</u></p> <ol style="list-style-type: none"> 1. Exchange Rate: Devaluation of Dollar in Relation to Deutsche Mark (DM) 2. Competition from Japanese and U.S. Automakers 3. Fuel Shortage and Price 	<p><u>ST:</u></p> <ol style="list-style-type: none"> 1. Reduce Effect of Exchange Rate by Building a Plant in the U.S. (T₁ T₂ S₁ S₃) 2. Meet Competition with Advanced Design Technology - e.g. Rabbit (T₂ T₃ S₁ S₂) 3. Improve Fuel Consumption Through Fuel Injection and Develop Fuel Efficient Diesel Engines (T₃ S₁) 	<p><u>WT:</u></p> <p>A. Overcome Weaknesses by Making Them Strengths (Move Toward OS Strategy)</p> <ol style="list-style-type: none"> 1. Reduce Threat of Competition by Developing Flexible Product Line (T₂ W₁) <p>B. Possible Options <i>not</i> Exercised by VW:</p> <ol style="list-style-type: none"> 1. Engage in Joint Operation with Chrysler or AMC 2. Withdraw From U.S. Market

TOWS Matrix

		Internal Environment	
		Strengths	Weaknesses
External Environment	Opportunities	S1O1: ... O1: ... O2: ... O3: ...	W1O1: ...
	Threats		W1T1: ... W1T2: ... W1T3:

TOWS Matrix Example

	Strengths S1: Excellent technical skills	Weaknesses W1: Company founder is the only salesperson.
Opportunities O1: Growth in mobile-first.	S1O1: Position company marketing as experts in mobile first.	W1O1: Hire a salesperson focused only on mobile.
Threats T1: Cheaper foreign competition taking existing customers.	S1T1: Outsource or drop non-high margin work.	W1T1: Hire or use founder to focus on existing customer relationship management.

TOWS Matrix		EXTERNAL FACTORS	
		Opportunities 💎	Threats 🗡️
INTERNAL FACTORS	Strengths 👍	Strengths / Opportunities	Strengths / Threats
	Weaknesses 👎	Weaknesses / Opportunities	Weaknesses / Threats

LUCIDITY

THANKS

