

Unit-I: Strategy Formulation and Choice Process

A Comprehensive Strategy-Formulation & Choice Framework

Important strategy-formulation techniques can be integrated into a three-stage decision making framework, as shown in Figure-I. The tools presented in this framework are applicable to all sizes and types of organizations and can help strategists identify, evaluate, and select strategies.

Stage 1 of the formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix (CPM). Called the *Input Stage*, Stage 1 summarizes the basic input information needed to formulate strategies. Stage 2, called the *Matching Stage*, focuses upon generating feasible alternative strategies by aligning key external and internal factors.

Stage 2 techniques include the Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix, the Strategic Position and Action Evaluation (SPACE) Matrix, the Boston Consulting Group (BCG) Matrix, the Internal-External (IE) Matrix, and the Grand Strategy Matrix.

Stage 3, called the *Decision Stage*, involves a single technique, the Quantitative Strategic Planning Matrix (QSPM). A QSPM uses input information from Stage 1 to objectively evaluate feasible alternative strategies identified in Stage 2. A QSPM reveals the relative attractiveness of alternative strategies and thus provides objective basis for selecting specific strategies.

All nine techniques included in the *strategy-formulation framework* require the integration of intuition and analysis. Autonomous divisions in an organization commonly use strategy-formulation techniques to develop strategies and objectives. Divisional analyses provide a basis for identifying, evaluating, and selecting among alternative corporate-level strategies.

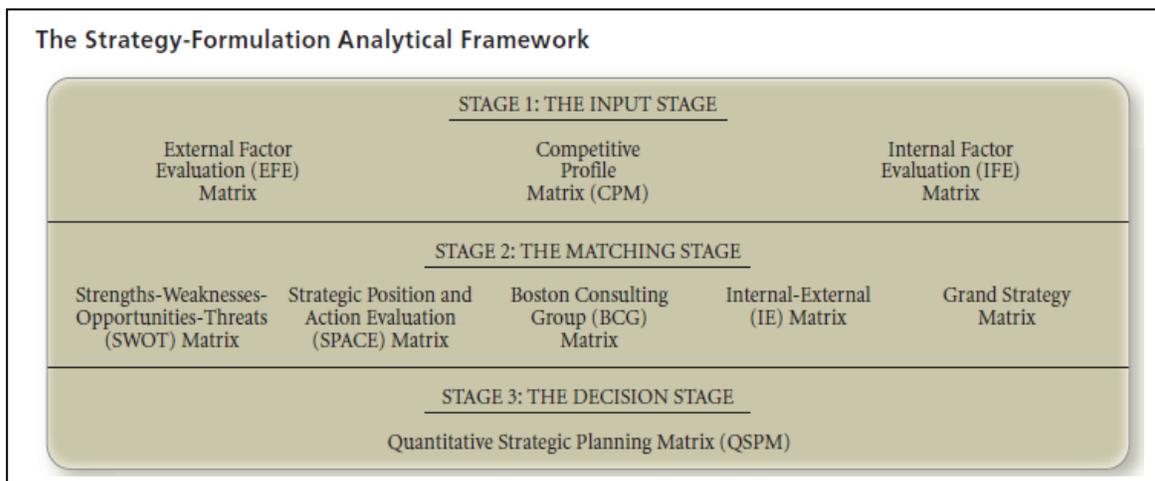


Fig.1: The Strategy Formulation & Choice Framework

The Input Stage

The information derived from an EFE Matrix, an IFE Matrix, and a CPM provide basic input information for the matching and decision stage matrix. The input tools require strategists to quantify subjectivity during early stages of the strategy-formulation process. Making small decisions in the input matrices regarding the relative importance of external and internal factors allows strategists to more effectively generate and evaluate alternative strategies. Good intuitive judgment is always needed in determining appropriate weights and ratings.

The Matching Stage

Strategy is sometimes defined as the match an organization makes between its internal resources and skills and the opportunities and risks created by its external factors. The matching stage of the strategy-formulation framework consists of five techniques that can be used in any sequence: the SWOT Matrix, the SPACE Matrix, the BCG Matrix, the IE Matrix, and the Grand Strategy Matrix. These tools rely upon information derived from the input stage to match external opportunities and threats with internal strengths and weaknesses. *Matching* external and internal critical success factors is the key to effectively generating feasible alternative strategies.

The Decision Stage

Analysis and intuition provide a basis for making strategy-formulation decisions. The matching techniques will reveal feasible alternative strategies. Many of these strategies will likely have been proposed by managers and employees participating in the strategy analysis and choice activity. Any additional strategies resulting from the matching analyses could be discussed and added to the list of feasible alternative options.