

Weighted score: this is obtained by multiplying the weights by the rating term pa...

[Business](#), [Company](#)



Both the internal and external factor matrices are strategic tools used to address and audit the performance of an organization with in relation to its strengths, weaknesses, opportunities and threats that face the organization. These matrices are used by policy makers in formulating the strategic direction of an organization.

In order to put together the external and internal factor matrices, a policy maker in an organization has to identify all the external factors that affect the organization's strategic position in relation to other players in the industry. It's also imperative that the factors that are internal to the organization, and that play a role in the performance of the organization also need to be interrogated. The external factors are usually the political, economic, social, technological and environmental and legal. These are the factors that can be influential to an organization, although the organization has little control of the same. The internal factors will be those unique to the organization, or a specific industry, and the organization has some level of discretion on the same.

The organization, therefore having to take advantage of her strengths, while exploiting her available opportunities for the benefit of the organization. In order to survive, the organization must understand the weaknesses that are uniquely characteristic of the organization, and also the threats that face the organization and design strategies that minimize the impacts of such weaknesses and threats to the organization.

Weight: In both the Internal and external factor matrices, weights are used to mean the relative importance of each factor in the matrix. For instance, in a given industry, the political climate may carry a greater ' weight' as

compared to the legal factors.

Rating: This indicates the company's effectiveness in utilizing the current strategies in responding to the specific factors. A rating of one may mean that the companies' response is poor. Rates, are usually company specific.

Explain the following Financial Ratios, how can a company use these ratios to complete in the industry

Liquidity Ratios

These are ratios that explain the company's cash position. They show how an organization is able to settle her most current liabilities using the most liquid assets. Such ratios include the current ratio (current assets/current liabilities) and a quick ratio ((current assets-stock) /current liabilities).

Leverage Ratios

This is a ratio that measures the companies indebtedness, in relation to the equity capital. Essentially, the ratio is used to measure how much the company owes external capital outsiders, as compared to what the owners of the company have contributed.

A healthy mix of debt and equity ensures that a company is not at risk of insolvency, in case the lenders lay their claim, but also ensures that the company is able to benefit from the tax benefit that arises from interest paid to lenders since such interest is tax deductible.

Activity Ratios

These are accounting ratios that measure the ability of an organization to convert different accounts to revenues or cash and cash equivalents. It actually measures the efficiency of the organization in utilizing the organization's resources available to generate sales. Such ratios include the

turnover ratios, the debtors turnover, the creditors turnover, asset turnover ratios etc.

An organization can attain competitive advantage by improving her efficiency in relation to other players in an industry. For instance, by improving the asset turnover ratio, the company is making better utilization of the assets available, and this creates a better environment as compared to other organizations.

Profitability Ratios

These are ratios that reflect the performance of an organization in terms of profitability. They include mainly the gross profit ratios, net profit ratios etc. For a company to post impressive ratios in terms of profitability, the company has to ensure the best utilization of resources. Good profitability ratios can be employed to create investor confidence in an organization.

Growth Ratios

Growth Ratios

These are ratios that indicate how fast an organization is growing. these ratios include the sales %, the net income %, the dividends %. These ratios are a comparison of the current year's figures as compared to previous years and they indicate how the business is growing.

Such ratios can be used as an indicator of the direction that an organization is taking, and whether the organization needs to change tact.

Most importantly, all the above ratios can be used by the organization to negotiate financing from credit providers and financial institutions.

3)

Competitive profile model

The competitive profile model identifies a firm's competitor's and their given strengths and weaknesses. It is mainly used to gauge the competitors' strengths and weaknesses in relation to the organizations specific strategic position. The matrix utilizes a broader context of critical success factors in its analysis. The factors in CPM just like the other methods of strategic analysis are external and internal. Therefore, the ratings are mainly strengths and weaknesses in the competition, starting from a major strength, to a major weakness.

Critical success factors: These are the specific factors that come to play, in the competitive environment. In other words, critical success factors are those that are utilized by competitors to gain an advantage over the firm. They may include quality, marketing and advertising, customer loyalty, market share etc.

4) Define the following Alternative Strategies
Forward Integration is a business strategy that includes the expansion of activities to include control of the distribution network in the business. For instance, a farmer may decide to sell products directly to the market, rather than through a distributor

Backward Integration

This is a form of integration in which a business purchases suppliers . Naturally, a company will pursue this form of integration with the aim of improving efficiency and savings in terms of cost. For instance, this may

result in reduction in transportation costs, profit margin improvement as well as making a firm competitive.

Horizontal Integration

This refers to a form of integration where a firm acquires additional business activities at more or less the same level of the value chain, in either the same or a different industry(Peter Drucker, 2008. p 35). This is mainly because different firms are involved in the same stage of production, the horizontal integration allows firms to share resources at this particular level, as well as a host of other advantages

Market penetration

This is a growth strategy where a business usually focuses on selling the companies existing products in the existing markets. Its usually geared towards achieving a number of objectives mainly;

- Maintain or increase the current market share of the product, or company
- Secure the dominance of the growth

Market Development

It's a strategy where a firm seeks to sell her existing products in new markets. This can be done through;

- Creating new geographical markets through exports.
- Creating new product dimensions or packagings
- Development of new channels of distribution
- Differentiating the market so as to attain and retain new customer

Product Development

This is a growth strategy where a business introduces new products in a new market. This strategy requires the business to either develop new competencies or products. the business can also modify the existing products which can appeal to the existing market.

This strategy lays more emphasis especially on

- Research and development as well as innovativeness
- Detailed market analysis and research into the clients needs
- Attaining the first mover advantage

Related Diversification
This is a growth strategy where a business adds or expands its products in the market, and especially in businesses that are either similar or related in one way or another. The main advantage of a related diversification is the ability to fully understand the business as well as knowledge of the opportunities and threats that abide in an industry

Unrelated diversification

Unrelated diversification is a form of diversification in which a business expands in an industry that is completely different from that of the existing business. For instance, and hotel chain may diversify to a real estate industry (Peter Drucker, 2006. p 20) . The main advantage is mainly the reduction of specific risks, while the disadvantage is the lack of experience in the new industry.

Retrenchment

The retrenchment strategy is employed mainly when an organization wants to eliminate a product completely from the market. This is mainly where the company has completely made losses, then a retrenchment strategy is mainly employed.

References

Peter Drucker. *The Practice of Management*, Harper and Row Publishers, 2008, pp 15-60

Peter Drucker. *Game-Changing Strategies: How to Create New Market Space in Established Industries by Breaking the Rules*, Jossey-Bass publishers. New York, 2006 pp 13-26