Evaluation of Opportunities and Recommendations

Using the strategic direction and corporate- and business-level strategies as guides, strategic opportunities should be evaluated further. These alternatives were generated during earlier analyses. They include:

1. Opportunities that allow a firm to take advantage of organizational strengths. These opportunities may involve alternatives such as better promotion of current products and services, new products or services, new applications for existing products and services within existing markets, exploring new domestic or foreign markets, diversifying into areas in which strengths can be applied, or creation of joint ventures with companies with complementary strengths. These are only a few examples.
2. Opportunities for the firm to overcome organizational weaknesses. Do any of the organizational weaknesses relate to an area that you described in your industry analysis as essential for survival? Do any of the weaknesses relate to key success factors? Firms can overcome their weaknesses through strategies such as learning from joint venture partners, creating new alliances with organizations that are strong where the organization is weak, or fixing problems internally through R&D, better controls, efficiency programs, IT, TAM, and so on. Again, these are only a few examples.
3. Opportunities for the firm to neutralize environmental threats. These often involve creation of strategic alliances to offset the influence of a powerful stakeholder such as a government regulator, a strong union, a powerful competitor, or an influential special interest group. The firm may form an alliance *with* the powerful stakeholder or with other stakeholders in an effort to balance the power. Firms may also form alliances to help cope with threats emerging from the broad environment.

Evaluation of opportunities means much more than simply accepting them on the basis of earlier environmental and organizational analyses. They should also be evaluated based on factors such as the following:

1. *Cost–benefit analysis.* Do the financial benefits of pursuing the opportunity appear to outweigh the financial costs?
2. *Ethical analysis.* Is pursuit of this strategy consistent with the enterprise strategy of the organization? Could there be any negative effects on the reputation of the organization?
3. *Protection of other strengths.* Does pursuit of this opportunity in any way detract from or weaken other strengths? For example, could it damage a brand name? Could it weaken a strong financial position?
4. *Implementation ability.* Will implementation of this strategy be easy or difficult? In other words, does the strategy "fit" the capabilities, structure, systems, processes, and culture of the organization?
5. *Stakeholder analysis.* How will this strategy affect key stakeholders? Which ones are likely to support it? Are they high priority? Which ones are likely to oppose it? Are they high priority? What are the strategic ramifications of their support or opposition?
6. *Future position.* Will the strategy continue to be viable as the industry and the broad environment undergo their expected changes? Will it provide a foundation for survival or competitive success?

The result of this analysis should be a recommendation or recommendations that the organization should pursue. Many evaluation tools can facilitate the eval-

STRATEGIC APPLICATION A.1

A PAYOFF MATRIX APPROACH TO EVALUATING OPPORTUNITIES

Instructions: Establish which opportunities you are going to evaluate. List them down the left column. Then identify which criteria you will use to evaluate your alternatives. Place these criteria along the top. Evaluate each of your alternatives on the basis of each of your criteria and assign a numerical (e.g., 1 to 5, 1 to 3, −2 to +2) or non-numerical (+/− or pro/con, etc.) score based on your analysis. Total your scores to arrive at a recommendation.

Criteria

	Criterion 1	Criterion 2	Criterion 3	Total
Opportunity 1	−2	1	2	1
Opportunity 2	2	1	−1	2
Opportunity 3	1	2	1	4

Note: In this example matrix, −2 means that the opportunity is very weak based on the criterion, −1 means weak, 0 means that the opportunity is neither weak nor strong, 1 means it is strong and 2 means very strong.

uation process, such as the payoff matrix illustrated in Strategic Application A.1. However, the tools should never act as substitutes for in-depth analysis of the alternatives themselves. In other words, even if a numeric score-keeping system is used, the numbers should be explained based on detailed strategic analysis.

You may not be required by your instructor to conduct a formal analysis of alternatives based on a standard set of criteria; however, you should still make recommendations concerning changes the organization should make to remain or become competitive and satisfy its stakeholders. Through this entire process, remember that many companies identify areas of strength that are no longer capable of giving the company a competitive edge. What was a key to success yesterday may be a requirement for survival today.

Implementation and Control

Recommendations should always be accompanied by an implementation plan and basic controls. The following are major questions that should be addressed during this section of a case analysis. Items 7 and 8 relate specifically to control.

1. How do the recommendations specifically address concerns that were identified during the analysis?
2. What will be the roles and responsibilities of key internal and external stakeholders in carrying out the recommendations and how are they expected to respond? What actions should be taken to smooth out the transition period or avoid stakeholder discontent?
3. Does the organization have the resources (funds, people, skills) to carry out the recommendations? If not, how should the organization proceed in developing or acquiring those resources?

4. Does the organization have the appropriate systems, structures, and processes to carry out the recommendations? If not, how should the organization proceed in creating the appropriate systems, structures, and processes?
5. What is the appropriate time horizon for implementing recommendations? What should the organization and its managers do immediately, in one month, in six months, in a year, and so on?
6. What are the roadblocks the organization could encounter while implementing the recommendations (e.g., financing, skilled labor shortages)? How can the organization overcome these roadblocks?
7. What are the desired outcomes or changes the organization should expect once the recommendations have been implemented? How will the organization know if the recommendations have been successful? In other words, what are the objectives associated with your recommendations?
8. What were some of the major assumptions you made with regard to the external environment? Which of these factors, if different from expected, would require an adjustment to your recommendations?

Following the implementation section, you may want to update your audience (your instructor or other students) concerning actions the firm has taken since the case was written. If a case update is required, it should center on actions that pertain to the focus of your case analysis. If you do an update, remember that what the organization did, even if it appears to have been successful, may not have been the optimal solution.