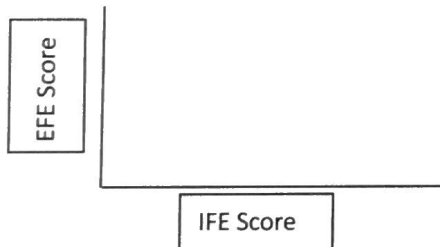


Integrative Analysis

The following three chapters take the information gathered in the external and internal analysis and uses that information to determine a broad strategic direction for the business. This is called a directional indicator because it suggests a strategic direction for the business but does not provide a specific strategy. The specifics will come in later chapters.

Chapter 19 I/E Matrix

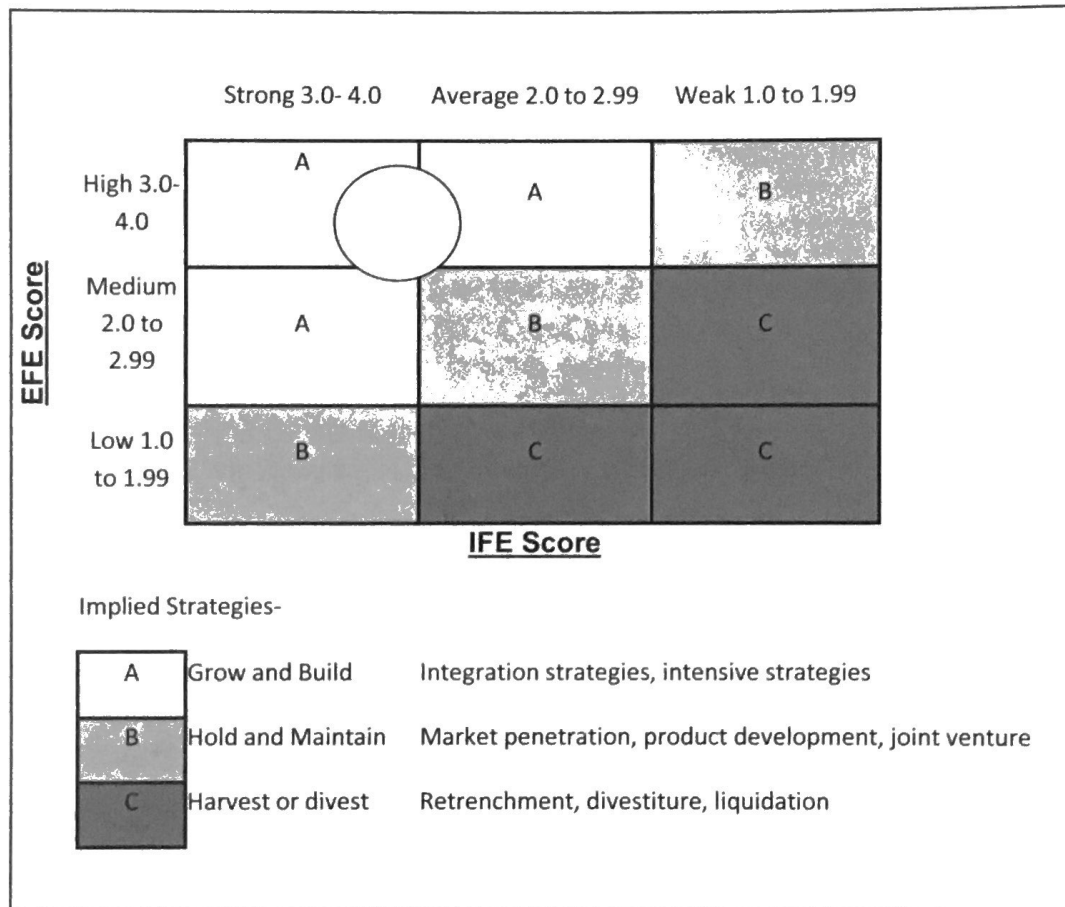
The Internal-External Matrix, also known as an I/E, matrix uses the data that was originally developed in the SWOT analysis (Chapter 9 and Chapter 17), and then transferred into the EFE and IFE analysis (Chapter 10 and 18) in order to help make sense out of the EFE and IFE matrixes. The I/E matrix positions an organization in a nine-cell display (and its various divisions *only* if you have performed a SWOT analysis and have an EFE and IFE score for each individual division. If you do not then just proceed with the parent company). The placements depend on graphing the respective IFE and EFE total weighted scores. To construct the I/E matrix, the weighted EFE score is placed on the vertical axis and the weighted IFE score is placed in the horizontal axis.



The company is plotted based upon the intersection of the IFE and EFE scores. The location in the I/E matrix corresponds to certain standard implied strategies. The strategic groups are indicated in the chart below as "A," "B," and "C." The implied strategies for each are listed following the matrix.

The horizontal axis of the matrix reflects internal strength and is divided into Weak (1.0 – 1.99), Average (2.0 – 2.99), and Strong (3.0 – 3.99). The vertical axis reflects industry attractiveness is divided into Low (1.0 – 1.99), Medium (2.0 – 2.99), and High (3.0 – 3.99).

Within the matrix, the company is represented as a circle. As with the General Electric Matrix and the BCG matrix, the size of the circle represents the relative significance of the business in terms of sales or profit (i.e. a relatively small company would have a relatively small circle).



As one can see, the shaded boxes above correspond to certain implied strategies. These strategies are very broad, but are generally considered to be directionally correct. Later, as you begin to develop specific strategies, you can refer back to the I/E matrix and see if your strategy development is consistent. If it is, great! You are on the right path. If the strategies you are developing are inconsistent with those suggested by the I/E matrix, some serious consideration is needed. That is not to say that your strategies should be abandoned, but rather, strongly analyzed. For example, if the strategies you develop are all aggressive and the I/ E matrix is suggesting retrenchment or divestiture, there is

a disconnect somewhere. It may be in a weak or improperly constructed analysis. More likely, it is strategies that are inappropriate. The I/E implied strategies are as follows:

Integration Strategies

Forward integration- Ownership or increased control over distributors or retailers.

Backward integration- Ownership or increased control over suppliers.

Horizontal integration- Ownership or increased control over competitors.

Intensive Strategies

Market Development- New or present products into new areas.

Product Development- Improving or Modification of product for increased sales.

Market Penetration- Increased share for present products by increased effort.

Defensive Strategies

Joint Venture- When two or more firms join & create a third co-owned firm

Retrenchment- Organization regroups using cost and asset reduction techniques

Divestiture- Selling a product line, division, or business unit

Liquidation- Selling all of the company assets.

Diversification Strategies

Concentric Diversification- Adding new but related products.

Horizontal Diversification- Adding new Unrelated products for present customers. Firm knows customers.

Conglomerate Diversification- Adding new unrelated products. Firm not familiar with customer base.

Mergers/Buyouts

Mergers- Buy similar sized companies.

Leveraged Buyouts- Shareholders are bought out.

Generic Strategies

Cost Leadership strategies- Competing in the broad market using low costs

Differentiation Strategies- Competing in the broad market using a product or service that is

somewhat unique.

Focus Strategies- Competing in a narrow market by focusing precisely on its needs in a unique and valuable way that commands a premium price

On the next page, create an I/E matrix for your project company.

I/E Matrix for _____

		Weighted IFE Score		
		Strong 3.0- 4.0	Average 2.0 to 2.99	Weak 1.0 to 1.99
Weighted EFE Score	High 3.0- 4.0	A	A	B
	Medium 2.0 to 2.99	A	B	C
	Low 1.0 to 1.99	B	C	C

Point out the significance of the placement of the company

Identify the implied strategies.

Which make intuitive sense?

- 1.
- 2.
- 3.
- 4.
- 5.