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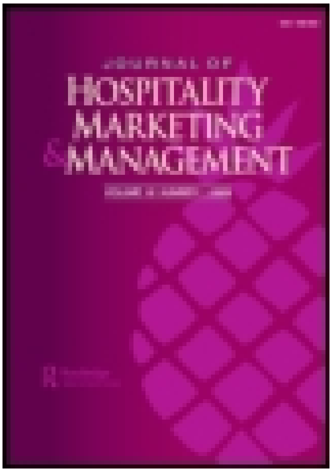

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Improving the Strategy Selection Process

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Improving the Strategy Selection Process: The Strategic Analysis Questioning Sequence

Allen Z. Reich

ABSTRACT. Making effective strategic decisions is not a simple task. Though no heuristic can remove potential planning hazards or absolve management of the responsibility for guiding the firm, good information can improve the results. The strategic analysis questioning sequence provides management with an organized, systematic process with which to: locate key situational factors; determine their importance; develop optional strategies; and finally to assess the viability of potential strategies. As the process is ingrained in the firm's planning process and each manager's mental (cognitive) model, better decisions should follow. *[Article copies available for a fee from The Haworth Document Delivery Service: 1-800-342-9678. E-mail address: <getinfo@haworthpressinc.com> Website: <http://www.haworthpressinc.com>]*

KEYWORDS. Strategic analysis, decision-making, market position, implications, alternative strategies, strategic thrust

INTRODUCTION

Formulating strategies, the major decisions that guide the firm (Mintzberg, 1978), is not a significant accomplishment (Reich, 1997). The majority of firms prepare annual marketing plans that contain rational strategies that will keep the firm at or near its present market position. However, the challenge and ultimate responsibility of managers (marketing or otherwise) is not to

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keep firms in their current position. To survive in a highly competitive environment, businesses must incrementally grow in strength by finding strategies that allow it to stand out from competitors (Schaffer, 1986). Identifying an excellent strategy does not guarantee success. But, neglecting the search for new and viable strategies for more than brief periods of time will all but assure failure (Thomas & Pruett, 1993). It does not take a genius to realize that firms that keep up with customer demands fare much better than those that do not.

After is has been determined that it is worth its effort to search for new and viable alternative strategies, a major question surfaces. ''In a volatile environment, how you distinguish between what is important and what is not?'' Before this question can be answered it is important to understand four issues. First, no human can know everything about most situations, and certainly not one as complicated as a firm's competitive environment (Molloy & Schwenk, 1995). In the unlikely event that someone could, too many things can change, making the initial prediction at least partially obsolete (Tsoukas, 1994). The objective is not to know everything, but to understand what is important and relevant. Second, a superior research program can help explain and predict certain phenomena. However, no amount of research will ever be complete enough to encompass all potential issues (Kotler & Armstrong, 1990). Third, corporate politics will often have a greater influence on decisions than the facts upon which the decisions are based (Feltenstein, 1992; Rodrigues & Hickson, 1995). And fourth, managers with different mental models (images and assumptions about how the world/business works) will view the same situation differently (Senge, 1992; Valentin, 1992). The answer to the question posed at the beginning of this paragraph is that since humans have limited intellectual capacities in relation to the complexity of the problems they face, they must use models to simplify the decision making process (March and Simon, 1958, cited in Molloy et al., 1995). Effective decisions, therefore, require models that encompass the main concerns of the issue without involving every detail. In other words, because it will not be possible to know everything about an issue, much of the strategy selection process will be subjective. Models can reduce subjectivity by forcing a systematic and relatively thorough analysis of the issue.

The typical planning process begins with an extensive lists of SWOT factors–strengths and weaknesses of the firm, opportunities and threats in the environment. These various situational factors are then analyzed to decide: (1) which are important enough to act on; (2) which should be monitored and considered for the future; and (3) which should be ignored. While most firms view the strategic analysis process as important, few give it the attention it deserves. Since strategies become the foundation for success or failure, the analysis of SWOT factors is the crucible of strategy development process.

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The purpose of this paper is to address the merits of a strategic analysis model designed to increase the effectiveness and efficiency with which strategic (and tactical) issues are assessed and alternatives are considered. This assessment will help planners and the firm to:

- avoid repeating past strategies simply because "that's what we've always done";
- increase innovation;
- question the viability of their perception of the firm's competitive situation;
- effectively analyze its current and optional strategies; and
- provide a process that can help guide people of differing views to consensus.

Strategic Decision Making

Whether explicit or implicit, all firms have some type of plan for the future. It would be inconceivable to think that the quality of these plans was not at least reasonably correlated with the quality of information and processes (models) used to develop them. If management has historically developed successful strategies, then these efforts should probably be continued, regardless of their foundation in managerial science and theory. However, if management has had difficulty in producing effective strategies, or strategic options are not forthcoming, a formal means of analysis–a model–should be considered.

To many, the word strategy assumes an aura of permanence (Mintzberg, 1978). Some years ago this may have been true. Today, change comes quickly. What appeared logical for the long-term a few months ago may appear half-baked today. The reverse is also true. Strategy is what the business does. It is initially conceived as a business strategy (something the entire firm will likely need to focus on) that will be supported by functional strategies and tactics (the specific actions of the functional units–marketing, operations, etc.). As various factors inside the firm and in its environment change, management must assess its totality of actions in light of the new information. This assessment normally works it way backwards through the decision making process. "Are our tactics appropriate for the current situation?" "Will changing them correct any perceived problems?" If not, the viability of strategic decisions must be reassessed. Strategy can be viewed as a synthesis of constantly evolving and vacillating facts. The cognitive challenge to management is not to keep the firm on course, but to make sure it is on the right course.

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Making a Decision

The primary job of managers is to make decisions (Miller, 1994). The objective of these decisions is that they result in a positive outcome for the firm and its stakeholders. In this effort, most managers will use some type of planning model. They will then meet for a period of time to make sure that each point is covered, strategies and tactics are set, and that everyone is aware of their responsibilities for implementation. For making a unique decision, one such as formulating a strategy, firms use what is by now the well established cognitive model of: specifying the problem; gathering information; locating alternative solutions; selecting the best solution; implementing this solution; then monitoring, measuring, and controlling the outcome (Valentin, 1992). This model, of course, is a simplified version of strategic planning models (examine the critical factors in the firm's current situation, develop strategies and tactics, and a control system to measure, monitor, and correct deviations from the specified objectives and strategies). However complex theoretical problem-solving models become, these six steps and their business derivative, strategic planning, are the foundation for making a decision.

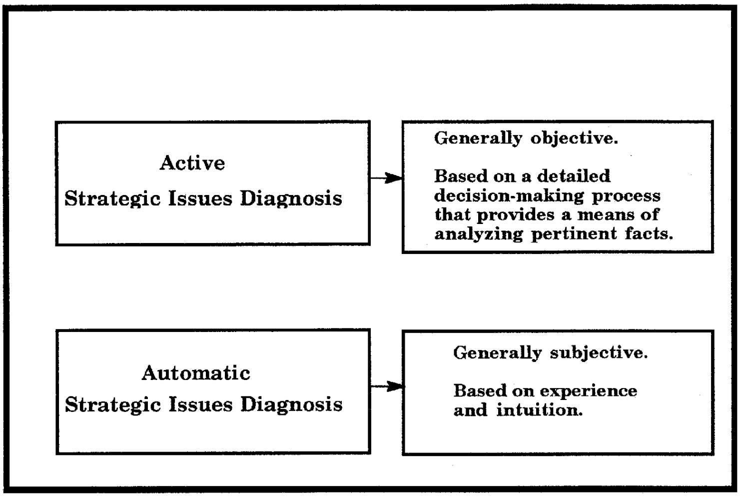
The Theoretical Foundation for Decisions

Generally, as the importance of the outcome increases, so does the decision's complexity and its information and cognitive requirements. No matter what decision style is employed, all strategic business decisions involve the concepts of strategic issues diagnosis and vigilant information processing.

Strategic Issues Diagnosis (SID). This concept approach to decision making focuses on the degree of effort utilized when examining (diagnosing) an issue (Dean & Sharfman, 1993). Strategic issues diagnosis (SID) consists of two categories, active (reflective) and automatic (unreflective) (see Figure 1). Active SID is a systematic means of reviewing information for decision-making, especially for critical issues. Because of the issue's importance, management must utilize a process or model to assure that critical information is on hand and that alternative solutions are thoroughly examined (Dutton, 1993). Active SID is also known as Procedural Rationality. Rationality is this instance is defined as the extent to which information is collected for a decision and the degree of reliance upon analysis of the information to make a decision.

Congruent with the Active SID dialectic is the *mechanistic* (also contingency or analytical) approach to decision making. It assumes that: phenomena occur in a certain order; most of these phenomena or variables can be measured and used to predict or describe events; and that there are always secondary variables that may not be highly relevant to a particular study, but must

FIGURE 1. Decision-Making Alternatives



be acknowledged. Igor Ansoff, the creator of the product/market growth matrix, is a proponent of mechanistic approach (Tsoukas, 1994).

The alternative to the Active SID decision-making process is termed Automatic SID (Dean & Sharfman, 1993). This occurs when the decision-maker's experience with the issue induces an automatic diagnosis (based on intuition or experience). There are both problems and advantages with Automatic SID. The primary problems are that one's experience may produce outdated means of addressing the issue, and that new, perhaps more suitable means, are ignored or are given only cursory attention. Another problem with Automatic SID occurs during the annual planning process or for crises. In these circumstances decisions are being made that will impact the long-term future of the business, they should therefore be given reasonable consideration before strategies are selected. There are advantages of Automatic SID, but caution must used. The primary advantage is that it preserves executives' valuable time and capacity for attention to a variety of decisions by letting them utilize their experience and judgment (Dutton, 1993).

Another similar business decision-making dialectic that is closer to Automatic SID, but incorporates some components of Active SID, is *Contextualism.* It is based primarily on the theories that: while planners do analyze events and follow a model, there is also an intuitive basis for decisions; intuition is based on passion, experience, and a conscious choice; often what

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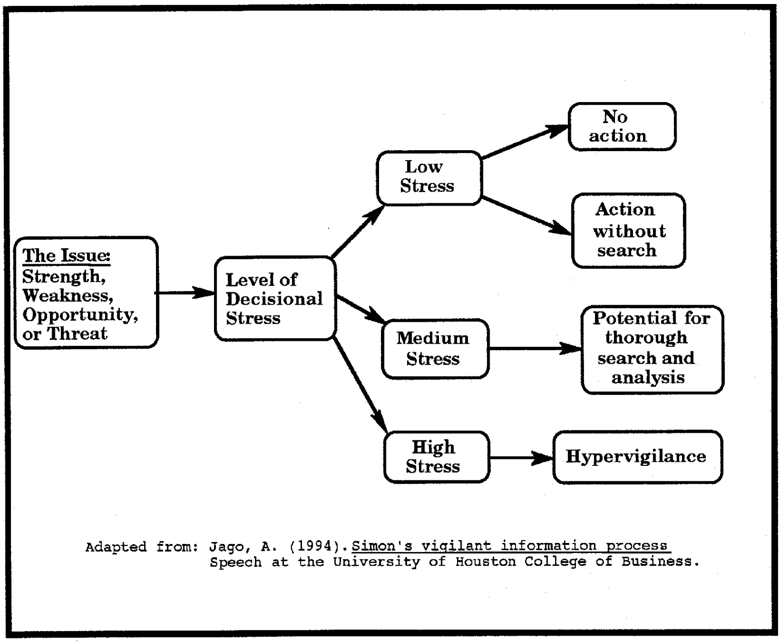
might be considered as bad intuition is a lack of intuition; strategies are often emergent, that is, created during the planning cycle, not during the planning process; deliberate strategies are rarely implemented, they are changed by circumstances and intuition (Mintzberg, 1978; Mintzberg, 1994; Mintzberg & Waters, 1985); and an analyzed intuitive thought will rarely be implemented because intuition cannot always be theoretically explained (Campbell, 1991).

Reality dictates that no one process can be exclusively relied upon. A balance is necessary between a thorough analysis and intuition based on experience and vision (Reimann & Ramanujam, 1992). Whether the scale is balanced more to one side than the other is determined by management–another decision. Managers with 20 years of experience will likely be more intuitive in deciding on a strategic direction for their firm. Those with far less experience may not trust their intuition as much and therefore rely more on analysis. The point is that one without the other will rarely succeed.

Vigilant Information Processing (VIP). Herb Simon (Jago, 1994; Simon, 1993) developed a model of decision making that focuses on the pressure of the situation (see Figure 2). This typology assumes that decisions (planning decisions, in this case) are made under conditions of low, medium, or high stress. Decisions made under *low stress* tend to result in either doing nothing, utilizing the existing strategy, or acting without searching for more viable alternatives. Though the vast majority of hotels and restaurants do not operate in low stress environments, they tend to make marketing decisions as if they were. This is evidenced by the fact that too many of these firms simply dust off last year's marketing plan and reuse it. *Moderate-stress* decisions have the best chance for a thorough search and appraisal or vigilant information processing. This is the optimal level of stress for decision making. Marketers know that the decision is very important, but since they are in control of the situation, they can summon all their abilities to make the necessary decision(s). The steps for VIP include: (1) setting an objective that if met solves the specific problem and is supportive of overall organizational goals; (2) searching for strategies and tactics that will achieve the objective; then, (3) when a strategy (or tactic) is found that would likely achieve the objective, the search is stopped and the strategy is incorporated into the organization's plan. This assumes that a reasonably thorough search was used to locate the optional strategies or tactics. The basis for Simon's theory is that a business can rarely optimize its strategy search. Optimizing means that managers would search for all possible alternative strategies or tactics. Managers must instead suboptimize, or find the best alternative after a reasonable search. The three primary threats to VIP are procrastination (putting off the decision), buck-passing (letting someone else make the decision), and bolstering (making an earlier favored decision appear more viable than it really is) (Berger, Ferguson, &

FIGURE 2. Vigilant Information Processing



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Woods, 1987). Decisions made under *high stress* are generally not effective because hypervigilance ensues. The decision maker is too stressed to function at his or her optimal capacity.

ANALYSIS OF MARKETING INFORMATION

The primary tasks of the marketing information system have been described as first, deciding what data are necessary, then gathering, recording, and analyzing the data for decisionmaking purposes. (Kotler, 1991). Specifying data needs is just as important as the ultimate analysis. Management must agree upon an outline of factors upon which the remainder of the process will be applied. This is typically based on the firm's situational analysis (a selection of internal and environmental factors deemed important). The gathering and recording of information are relatively simple tasks (the exception being

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gathering data through formal research). As long as an organized process is in place, most activities prior to analysis can be accomplished by personnel with limited research experience. Basically, marketers must make sure that a sufficient data base has been compiled that will help decision makers see the ''big picture.''

The final steps of analysis and the subsequent diagnosis and decisions that follow will require a much higher level of cognitive skills. Simply reviewing a few competitor reports and internal records will not likely lead to the best strategies. A problem with the common superficial analysis is that five people will come up with five different and highly subjective solutions to the same issue. Since their potential strategies were based on conjecture, each solution may be defended personally. The result would be dissension, rather than consensus. The most skillful debater and those with political power will often be heard above those with potentially worthy and substantive concepts, perspectives, and strategic options.

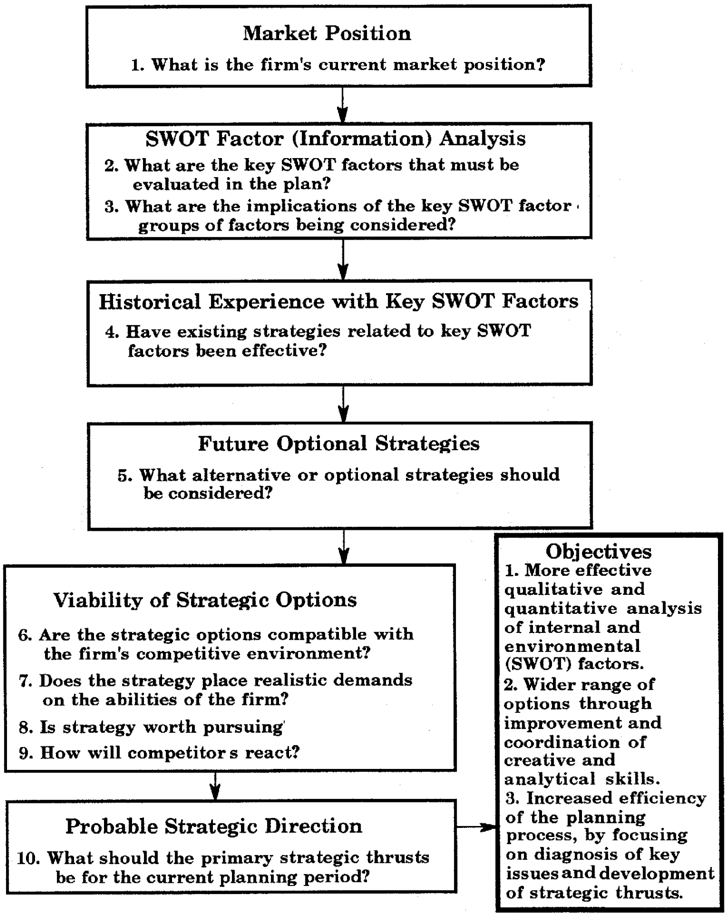
Certainly, the majority of firms consider the analysis and diagnostic process as important, however, few give it the attention it deserves (Vandermerwe, 1995). Since it leads to decisions on future objectives and strategies, and therefore the potential success or failure of the company, the analysis of SWOT factors is the crucible of decision makers and the planning process. To improve the likelihood of consensus and to reduce the inherent risk involved in business decisions, some type of organized analysis or model should be considered.

THE STRATEGIC ANALYSIS QUESTIONING SEQUENCE

The proposed strategic diagnosis entails asking a series of ten questions to elicit and guide managers' opinions of the relevance and value of a particular factor or group of factors and their value in determining the firm's strategic direction (see Figure 3). Though the process might at first appear somewhat laborious, it can actually be accomplished very quickly. The choice is basically between an organized process that guides the business in thoroughly analyzing all key factors, and random subjective opinions that lead to strategies with minimal factual support (Houlden, 1995).

Their perceived importance to the success of the business will determine the number of factors that should be analyzed (MacCrimmon, 1993). In the actual planning process, only the most significant SWOT factors or groups of factors will be formally analyzed (Houlden, 1995). Since many firms will have group related SWOT factors, such as those concerned with increasing sales from a particular target segment, the process may need to be performed only a few times. It can be completed via written reports or oral reviews. As the questioning process is ingrained in the subconscious thought processes of

FIGURE 3. Strategic Analysis Questioning Sequence



management and marketing decision makers, most SWOT factors can quickly be reviewed for their implications, importance, and possible solutions or strategies. Some factors can be processed in a few minutes. Others will take several days or longer if critical information is required for a reasonably thorough analysis. Occasionally, an item is weeded out after one or two of the questions if it is felt that further discussion for that SWOT factor is not necessary.

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The ten questions may be viewed in segments. The first three questions set the stage for the remaining questions by establishing a base for analysis–how well positioned is the firm in its market; the key SWOT factors that should play a role in future strategy decisions; and the implications of those SWOT factors. Questions number four and five consider past strategies that were related to the SWOT factors and potential future strategies that might be considered. Questions six through nine address the viability of the potential future strategies. Question ten asks management to specify the firm's most viable strategic thrusts for the next planning period. This sets the stage for the rest of the strategic or marketing plan by establishing the probable strategic directions for the firm.

Market Position

1. What is the firm's current position in the market?

Before a firm can attempt to capitalize on opportunities from its particular competitive situation, it must first have a reasonable idea of how it is viewed by its current target customers (its objective position). The categories include: Position #1, the leader in the market (greatly exceeding customer expectations); Position #2, somewhat ahead of the market (exceeding customer expectations); Position #3, meeting current market demand (meeting customer expectations); Position #4, slightly behind the market (not meeting customer expectations); Position #5, seriously behind the market (seriously not meeting customer expectations). With its current position in mind, the marketers can then decide on the degree of strategic change necessary to move the firm to management's desired position.

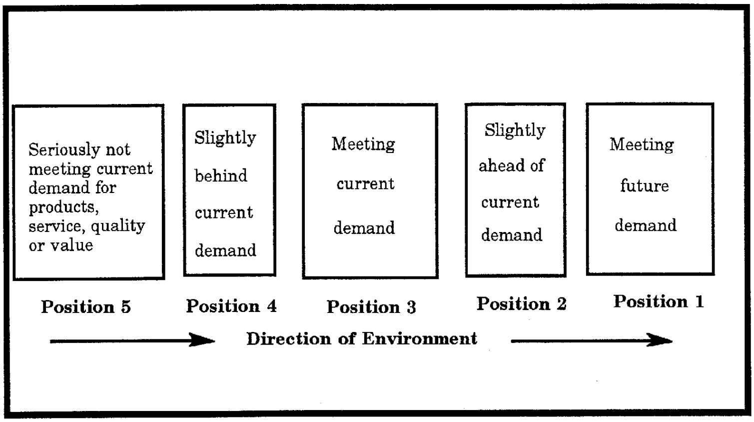
Figure 4 below graphically displays what happens to a company's position over various periods of time, based on their past and present strategies. The premise behind the position analysis is that since the environment is constantly moving, a company that continues to offer the same products and services, with the same level of quality and value, can only lose its position in the market. There will always be exceptions, but as a general rule, customers' demands do not remain static. If a firm does not alter its strategies to meet the demands of its customers while a competitor regularly develops new strategies consistent with customer demands, then this firm will lose its competitive position.

SWOT Factor Analysis

2. What are the key SWOT factors that must be considered in the plan?

The business must now select those factors from the SWOT analysis that have the greatest likelihood for impacting the firm in a positive or negative

FIGURE 4. Market Position Analysis



manner. Since the SWOT analysis is a summary of the situation analysis, this question is essentially asking, "What information do we have that is important enough to require action?" For example, in a firm's SWOT analysis, there could be 100 or more potential opportunities listed. It would not be economically or logistically feasible to attempt to take advantage of each, so only those with the greatest potential to help further the firm's competitive position will be selected. Since the primary objective of the marketing department is to increase sales, opportunities with this potential are generally considered first. Subsequently, the firm must address threats that must be defended against, weaknesses that must be corrected, and whether strengths are being fully maximized. Problems noted in the position analysis (question #1) will provide insight into which factors should be considered as important to the business's future.

For some companies there will be many factors that must be studied, each of nearly equal importance. For others there will be one central issue, or perhaps a few fundamental problems.

Grouping of Factors. When possible, related issues should be grouped together into a smaller number of major issues. This combining of factors allows the firm to effectively broaden the number of issues that will become part of its analysis and possibly its strategy. For a hotel, weaknesses in the areas of average daily rate, front desk courtesy, check-in speed, and cash control problems might be attributed to the larger problem of ineffective training or operating systems, no training manuals, weak management, logis-

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tical problems, and so forth. The fact that: people want more security in hotels; are taking shorter trips; the Americans with Disabilities Act; more older people traveling; older people are quite value-conscious and want health-oriented meals and enjoy continental breakfasts; could be combined to go after the senior citizen market.

Judging the Importance of SWOT Factors

Some means, such as prioritization, impact/immediacy analysis, or confidence assessment should be utilized to assess the importance of the various factors in the firm's situational analysis.

Prioritization. If SWOT factors, or groups of related SWOT factors, are prioritized by degree of importance, it will allow management to focus its efforts in areas that will produce the best results. Prioritization could be indicated by listing and numbering according to degree of importance or by assigning levels of importance such as A = high priority, B = secondary priority, and C = low priority. An entirely new marketing department for a competing firm made up of experienced veterans might be labeled "A," a new Director of Sales or the creation of an in-state sales manager's position for this competing firm, might be given a "B," and their hiring a new sales manager might be labeled as "C" or possibly ignored if the skill level of the new sales manager was approximately the same as the former sales manager.

Impact and Immediacy. A means of determining the importance of a threat or opportunity as well as a strength or a weakness is to assess its potential:

- *impact*–how great an effect it could have;
- *immediacy*–the likelihood of it occurring, how soon it might take place, and if it did occur, how long the firm would have to prepare a strategy or tactic for it.

If the answer is that it would have very little impact and no potential effect for several years, then it may not be necessary to include it in the analysis. If, on the other hand, the answer to either question was positive, then it should probably be included in the analysis. In essence, this helps marketers and management differentiate between burnt toast and tragedy. Two factors may be serious, but one may have the potential for great harm, while another is simply a nuisance. For example, if a budget hotel had an excellent location in an area with several hotel sites, the company would have to consider the immediacy of a competitor building a hotel on the site and the impact it would have. If the answer to the immediacy question was "potentially within a year," and its impact could be significant, then an applicable strategy would be implemented, or at least a contingency plan would be written and available if needed.

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The matrix in Figure 5 graphically displays the relationship between the impact and immediacy of any particular environmental concern. Each quadrant is identified with a category number based on its importance to the business. A Category 1 factor would require a quick response, where Category 4 would not. The recommended actions for each level are included in the pertinent cell. Larger firms or those with many options may want to expand the matrix from four to nine cells, with low, medium, and high designations (McDonald & Leppard, 1992).

Confidence. The relevance of data or information can be assigned to categories based on the level of confidence attached to its probability of occurring. The categories could be identified by various titles. Most commonly used are high, medium, and low confidence data. This labeling could assist and alert marketers so that when a factor is discussed, decision makers within the firm would understand how likely the event is to happen or how much weight the firm gives to its occurring. For example, the likelihood of increased demands for nutritious foods could be considered as high-confidence information, while the measurement of the availability of Alaskan salmon and the assessment of its market price might be low-confidence information.

FIGURE 5. Impact/Immediacy Matrix

Impact	Immediacy: High	Immediacy: Low
High	Category 1 ·Probable event, take appropriate action ·Incorporate into annual plan	Category 3 ·Could be serious, but will not likely occur in near future ·Review a minimum of once per year or as appropriate
Low	Category 2 ·Incorporate into annual or long-term plan ·Prioritize based on importance	Category 4 ·Be aware of factor ·Review each year, or more often, during planning sessions

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3. What are the implications of the SWOT factor or groups of factors being considered?

Of the key SWOT factors listed, the firm would select those that will require further analysis. This question is central to the analysis and extrapolation of information from the selected key SWOT factors. It is essentially asking, ‘‘How does or could this factor (or group of factors) affect the firm, its customers, or competitors?’’ One of the abilities required to develop potential implications of a SWOT factor is a manager’s inferential skill–the ability to identify relevant issues and recognize the degree of their importance. Essentially, this means being able to analyze information and form valid assumptions that will assist in decision making. For example, a high level of customer satisfaction (a strength) may imply that there is an opportunity for sales growth through both existing units and expansion. Lower sales than desired (a weakness) could have many implications, among them: the firm’s product or service mix is not what customers want; the firm has been promoting an inferior product or service; the firm has not promoted its offering effectively (assuming a quality product or service); or the firm is not in a position to expand at the present time. If customers want a broader product selection–an opportunity, this could imply that: additional items should be considered; possibly an image change or repositioning is needed; area competitors’ similar offerings should carefully be examined; and which competitors may also be considering expanding their selection. If there is a possible price or value war (a threat), the implication could be that: value should be a primary concern in pricing and production; to remain competitive, costs should be minimized to the greatest extent possible; and some or all products should be positioned as good or great values.

Intuition. The knowing of something without conscious reasoning (Guralnik, 1986) plays a part in the analysis of implications. The part of the mind used for this level of thought is the subconscious. Basically, this is where all previously acquired knowledge–the sum of a person’s experiences–is stored. Developing intuition requires a deep thought process that generally accelerates based on the degree of experience and ability of an individual to bring that experience to bear on the analysis. Where brainstorming, also an excellent method of eliciting ideas, brings an active, vocal participation from group members, intuition is best utilized in a quiet, relaxed atmosphere (better individually than in a group), allowing people to bring up their deepest thoughts. Frequently, the most in-depth understanding of a situation comes within about thirty minutes after lying down when an individual is almost asleep. The reason that relaxation, meditation, or sleep increases mental ability is because the mind is most effective when the brainwave cycles are at lower levels. There is much validity to the adage, ‘‘I’ll sleep on it.’’ Intuition can also be used to help develop optional strategies.

Historical Experience with Key SWOT Factors

4. Have existing strategies related to key SWOT factors been effective?

- In other words, has the firm had any experience with strategies based on the SWOT factor being analyzed? Essentially, every existing strategy the firm now has was directly or indirectly based on a particular past SWOT factor.
- If a particular strategy has been successful and its related SWOT factors have not changed, the company should consider keeping it as long as it is compatible with the new environment. If related environmental factors have changed, then the strategy will need to be reassessed and perhaps discontinued, markedly changed, or at least modified.
- In cases where the strategy has not been successful, it should either be dropped or reconsidered based on the new SWOT analysis. If the cause of the problem is with execution and not a misreading of the competitive market, it should be addressed as a weakness. In this instance, a determination should be made as to whether the weakness is possible to correct or if its cost in monetary and managerial resources are worth the effort.

For example, a hypothetical restaurant is analyzing the SWOT factor of customers wanting a place to eat after 2 A.M. when the night clubs close down. In the past, the firm had tried to take advantage of the opportunity, but it was not successful. The firm would have to consider whether there have been changes in its abilities or the SWOT factor that might allow the effort to be more successful this time. Are there any changes in the impact or immediacy of the opportunities? Is there a larger market for late-night foodservice now than in the past, or is the market more willing to frequent a restaurant offering late-night service? Perhaps there are more restaurants or clubs in the vicinity that are helping to increase the size of the market and their inclination to visit the area.

Overall, everything the company now does should be put on trial for its life (Drucker, 1974). The only sacred cow for a business should be its morals and philosophy of doing business. Unfortunately, there is a tendency for firms to continue existing strategies whether they were successful or not (Mintzberg, 1972). In developing alternative strategies, management must also be astutely aware of the fact that predictable strategies can lead to competitive disadvantage (Reimann et al., 1992). Firms that consistently pursue the same strategies will find themselves at a great disadvantage.

Frequently, executives who have decided to pursue a certain unsuccessful course of action will not want to change positions because it is tantamount to

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admitting failure. Naturally, this unwillingness to change will almost invariably lead to the executive's replacement. The primary reasons for this are that:

- millions of dollars may have been lost and stockholders want a change;
- a new executive with appropriate skills may be needed to help select and implement new strategies;
- the inability or unwillingness of the executive to change.

Trade magazines frequently detail stories about changes in the executive suite. Because of stockholder distrust and increased publicity regarding high pay for poor performance, it is expected that these changes will not only continue, but are likely to surge.

Future Optional Strategies

5. What alternative or optional strategies should be considered?

It has been said "that if there are two courses of action, you should always take the third" (De Bono, 1986, p. 4). The search for alternatives forces an increased awareness of the issues and therefore increases the likelihood of a rational response. Perhaps the greatest problem in deciding on an appropriate strategy is the inability to develop an adequate list of alternatives. Research has shown that the basis for good decisions is influenced as much or more by the number of viable options, than the amount of information on hand (Eisenhardt, 1992). Viable options lead to debate and hopefully consensus. The debate should not focus on conflict, but on attempts to resolve the issue at hand. Since strategy selection will always present opportunities for the exhibition of power, those that have it must bite their tongue and objectively participate (Knights & Morgan, 1991).

Alternative strategies will be developed from a screening of the SWOT analysis for: potentially profitable opportunities; strengths that should be maximized; weaknesses that must be corrected; and threats that should be avoided or defended against. For example, if a new market segment has been identified that could increase sales–an opportunity–then alternative strategies to take advantage of it would be developed. Alternative strategies must be based, as much as possible, on an objective appraisal of the firm's situational analysis (what customers want, not what management thinks they want). Marketing planners' experience or personal feelings about the environmental concern or optional strategies often leads to an automatic diagnosis (Dutton, 1993). In some cases, this may be the most effective and efficient means to decision. After all, most decisions (strategies and tactics) are the result of personal experience and the success of past strategies. To determine their viability, the alternative strategies (also referred to as strategic options or choices) would then be subjected to the remaining strategic analysis questions.

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If a firm has certain exceptional strengths, especially sustainable competitive advantages, with which to take advantage of the SWOT factor, it can develop strategies to extract the greatest value from the strength. For example, if a hotel's strength was having a location near every major airport in the United States, then alternative strategies based on this could be developed. The marketing department could develop a promotional strategy, such as offering a special rate to all major firms that have business, focusing on business meetings and airline crews, and placing signs in the airport stressing the convenient location. When a firm's strengths are not considered formidable, the goal might be to direct the company's efforts at developing strategies designed to fill a niche in the market not currently being addressed. An independent restaurant operator could focus on personal service, high-quality menu offerings, specials, serving regional favorites, and other strategies that might differentiate it from chain operators (Thompson & Strickland, 1992).

Similarly when a skill that is needed to take advantage of an attractive opportunity does not exist–a weakness–management must decide whether it is worth the effort to make appropriate changes–implement a strategy to correct it.

Defending against threats, a defensive strategy, poses a more difficult problem. If the actions of a competitor, societal trends, changes in buying habits of target customers, or trends in any other area of the environment indicate a possible or probable threat, management must decide if it is necessary to prepare a strategy to defend against it. Often, other actions of the firm are normally already helping to defend against the threat. For example, if a threat is posed by a primary competitor's high RPPQ (relative perceived product/service quality), or if such a competitor is planning on moving into an existing firm's trade area, the existing firm would probably already have a strategy in place to upgrade its products and services. Under normal circumstances, this practice should be a never-ending strategic choice. Additional defenses, such as price, quantity, atmosphere adjustments might also be considered. The key question here would be, "What do I need to do (what strategy or tactic is needed) to successfully defend the firm against the perceived threat?"

Not acting on some SWOT factors is unavoidable. The company can only do so much. But a increasingly common characteristic of business strategies is the inaction on eminent and serious threats. Unfortunately too many firms, especially smaller businesses, view themselves as being unable to defend themselves against a larger competitor. In almost all cases of fair competition there are strategies by which even the smallest competitor can protect itself and thrive in the midst of larger competitors. In fact, smaller and leaner competitors often have major strengths that can be exploited, such as the ability to adapt quicker to changing market conditions, more personalized service, and lower overhead. A decision must be made as to which factors should be acted on immediately, spread out over the short- or long-term

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future, or put off indefinitely? Someone must lead the firm and take responsibility for deciding which path to take.

Locating Optional Strategies

The search for strategies is analytical, creative, and incremental (Pearce et al., 1991).

Analytical. Twenty-five hundred years ago Sun Tzu, a general in the Kingdom of Wu (China), wrote: ''If you know the enemy and know yourself, you need not fear the result of a hundred battles'' (Clavell, 1983, p. 2). Historically, the management of a firm's market has been perceived as a discipline where creative thought was the predominant requirement. Creativity is important, but it makes up only a small portion of strategic decision making skills, mainly in promotions. The critical academic requirement for market management is actually analytical. Management first does research to establish various facts about the firm and its environment. Creativity flows directly from the quality and quantity of that research. From this information, managers decide what products or services the customer will purchase; other marketing mix variables such as pricing and atmosphere; other supportive functional strategies; and finally, how to communicate the firm's offering to potential consumers (Nanus & Lundberg, 1988).

A critical issue is that the analysis, in most instances, should not be overly detailed. The fact is that in most cases the best source of information is the company itself. This *real-time* information points out present trends that can have as great or greater an impact than any other situational factor. This does not mean that other factors can be ignored. It simply suggests that the most accurate information and certainly the most important trends are the daily records of one's business. In only the most unusual circumstances should extensive detailed reports be prepared before a decision is made. Unfortunately, before many of these reports are ready, the issue that is being researched no longer exists.

Creative. Everyone is creative to a degree. But the difference between average creativity and superior creativity is the difference between an occasional jogger and an Olympic athlete. The first step to creativity in a business organization is to have a environment conducive to creativity. The following are some of the characteristics of a ''creative organization'' (Berger, Ferguson, & Woods, 1989; Hayes, 1994; Rule & Irwin, 1988; Sonnenberg, 1991; Summers & White, 1976):

- Freedom from restrictions
- Receptive to new ideas, sensitive to different possible approaches, withholding judgment or criticism
- Attitude and support of the organization as a whole, fast-paced environments seem to increase creativity

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- Attitude of each individual's supervisor, humor is appreciated
- Recognition
- Time for creative thought, away from normal responsibilities
- Freedom of choice to do what is reasonably necessary to pursue one's ideas
- The physical environment of the workplace
- The amount of interaction between workers

The process of developing a new product or service includes: *idea generation*, also referred to as brainstorming (seeking a reasonable quantity of new ideas that appear to solve the issue at hand); *idea screening* (deciding which ideas have the most potential), and *concept development* (creating and testing the ideas). Creative idea generation begins by getting into the minds of customers. What do they want? How do they think? What are their behaviors relative to the firm's products and services? When the average firm attempts to use creative thinking it will normally use *convergent thinking*–focusing on the one best solution. One of the keys to maximizing the creative process is the use of *divergent thinking*–not setting parameters on ideas, and attempting to gather the largest quantity of options rather than the best quality options. Qualitative concerns would be addressed later if an option was considered for adoption. Some basic forms of creative thinking are:

- *Attribute Listing.* Simply list the various attributes the customer is looking for–ideally, those that delve into the psychology and motivational characteristics of potential customers (i.e., status, concern for family, convenience, desiring the best, and so forth).
- *Forced Relationships*. Select any stimulus word, list the characteristics of that word, then determine which of those words have any possible relationship or application to the firm's strategies or procedures. For example, the stimulus word is "canned tomatoes." Its characteristics and uses are: red, watery, salt, acid, bright, mushy, crushed, seeds, silver (can), metal, paper, Italian, spaghetti sauce, tomato soup, and so on. These characteristics would then be viewed as to how they could be applied to any desired strategy or procedure. This could range from another food item, to the decor of a restaurant. Perhaps the plate appearance should be brighter and more colorful, or there should be an Italian entree on the menu. The same goes for the decor–maybe some silver on the walls to add richness.
- *Fantasy Technique.* This method is utilized individually in private. The person sits in a comfortable chair in a quiet room. (Several major corporations have designated "quiet rooms" where employees can go to think or meditate about solutions to business and personal problems. These rooms are pitch dark, except for small directional lights near the

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floor.) The objective is to visualize oneself as a customer of the business, while sensing all the smells, sounds, decor/atmosphere, furniture/fixtures and people one would encounter. Immediately afterward, all thoughts, feelings, and ideas are recorded. The insights are used to develop possible improvements, modifications, and innovations.

- *Heuristic Ideation Technique (HIT Grid).* This is the utilization of a matrix to establish possible relationships. On the vertical side of the matrix could be the salads that are served in the restaurant. On the horizontal side would be the various ingredients available for the salads, dressings, and garnishes (see Figure 6). Then, each block or grid in the matrix would be considered for its possibilities. For example a grilled chicken salad could be paired with mushrooms, green onion, garlic, basil, tomatoes, and mozzarella cheese. The objective in this case is not only to promote creativity, but also cross-utilization of existing products.
- *Collective Notebook Method.* This is simply a small notebook that is carried at all times. When a thought comes up, write it down. It is especially useful if placed by the bed, because as the mind relaxes (brainwave cycles are lowered), its capacity for creativity increases. Analyze the material for possible application.

Conventional wisdom should be discarded when developing potential strategies. Often, unconventional strategies or tactics that initially sound far-fetched bring up other ideas with potential for implementation. A television commercial showing pizza with cheese that stretches throughout the house is definitely not mainstream, but it worked for Little Caesar's Pizza. The target customer desired humor. Seemingly "illogical" strategies may also offer a window to the future needs of the customer–the potential to reach Position 1. Since strategies are developed for the short-and long-term, the longer the lead time the stranger the potential strategy will sound. Operational and financial creativity are concerned primarily with effectiveness and efficiency. How can something be done better, faster, or at a lower cost?

Incremental. The search is incremental because the selection process begins by analyzing past strategies, policies, and action plans to decide what has been successful, and what has not. Actions that have been successful are kept, those that are not are discontinued or modified, and new strategies are "incrementally" added to existing strategies, policies, or action plans. For example, if a functional strategy to control costs has been successful in reducing costs by the amount set in the annual objectives, then the strategy and its corresponding policies should be kept. If a promotion targeted at corporate clients of a hotel has been marginally successful, it will be analyzed according to its merits and either modified or discontinued. If a new strategy is called for, perhaps a sales promotion of giving an umbrella with the company's logo to corporate guests that stay over for one weekend night, it will be incrementally

FIGURE 6. Heuristic Ideation Technique

		Ingredients	
· Salads ·	red bell pepper -	artichoke hearts -	mushrooms
Chef salad	yes	maybe	yes
Tuna salad	yes	no	no
Grilled Chicken	yes	no	no
Salmon Chef	yes	yes	yes
Dinner salad	no	no	no

added to existing strategies. This is essentially saying that the vast majority of strategies, with some modifications, will remain the same. Marketing strategies, because of their dependence on the environment, is the functional area most subject to change. The majority of other functional areas will normally focus on improvements in execution.

Sustainable Competitive Advantages (SCAs)

Ideally, some of the selected strategies should give the firm an advantage over its competitors that can be maintained for one year or more (because of the increasing speed of environmental change, this period could be reduced to six months). This is referred to as a *sustainable competitive advantage*. With the fast changing pace of modern technology, customer behavior, and competitor's offerings, locating SCAs is not an easy task. Differentiation, low cost, pre-emptive and focus strategies (generic strategies) are the most frequent the sources of SCAs. The strongest SCAs are patents, copyrights, large investments, and a strong customer base.

Currently, the most effective SCAs appear to be derived from finding an ignored or underserved market–a niche, especially one that does not represent an opportunity to most other competitors. One of the problems with going after a small, ignored market segment is that if others decide to compete for the market, competition will be fierce. The business with a combination of capital reserves, quality management, and customer satisfaction will likely be the ultimate winner.

Corporate Politics. A common occurrence in strategy selection is that executives enter into the process with *preconceived strategic agendas* and are

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simply searching for compatible opportunities that support their biased views. This attitude negates the purpose of the planning process. Each participant, especially those at higher levels of the organization, must be open enough to realize that as new information comes to light, new strategies may be required. Plans must be based on valid information, not just opinion or one's position on the organization chart (Aram et al., 1990).

Another common characteristic of corporate politics is that the lower one is in the corporate hierarchy, the more factual support must be presented when expressing views or opinions on possible strategies. This is a legitimate requirement in that those who are new to the business world will have fewer experiences to draw from when analyzing SWOT factors. "Great ideas" from young managers without proper research and support will seldom attract more than passing attention. But ideas that have been well analyzed and appear to show promise must be heard.

Viability of Strategic Alternatives

The next four strategic analysis questions focus on advantages, disadvantages, and the viability of the strategic alternatives.

6. Are the strategic alternatives compatible with the firm's competitive environment?

The perceived opportunity (or other SWOT factor) must be based on factual data and a realistic appraisal of the situation, not on management's subjective speculation. If a strategy calls for improved quality at a higher price, customers must want higher quality and be willing to pay for it. An occasional problem for independent fast-food restaurant operators is that they generally offer a higher quality product and charge more than chain fast-food operations. If this is what the customer demands, there is no problem, but if the restaurant's target customers resist higher prices for similar menu items, then it will need to find a way of reducing the price or increasing the perceived value of the meal. If a hotel company decides to build smaller, but relatively luxurious hotel rooms that will be offered at a midscale price, it must be sure that demand is adequate. A problem with this strategy could be that the majority of guests desiring higher quality or luxury hotel rooms work for companies that pay for the room. Therefore, they may not be motivated by the opportunity to save money. On the other hand, if there is a limited supply of the smaller rooms–less competition, then even if the demand is low, a niche (small protected market) might be available. If the firm had an experienced marketing staff, a strength, it might be possible through personal selling to contact companies with travel needs that would like to reduce their travel expenditures.

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Timing

A key factor related to environmental compatibility is timing (Houlden, 1995). The timing must be right for any certain course of action. One of the goals of strategic management is to be proactive–seeing an opportunity or threat before others and taking advantage of it. Though generally a benefit, it can also cause severe problems. If a company acts too soon, thinking it will be a leader in an untapped market, the result may not be pleasant. All pioneers do not survive.

For many strategies there may be a window of opportunity. A strategy executed during this time might be successful; afterward, the risk goes up. A popular sandwich chain was purchased from its creators in the early 1980s. People inquiring about purchasing franchises were told that none were going to be sold until the company was reorganized. At this time their part of the country was experiencing rapid growth with expansion in almost all business segments. Unfortunately, the reorganization took several years and by the time the company was ready to sell franchises again, this region of the country was in recession and few buyers were available. An additional problem was that while the firm was stagnant, another sandwich chain penetrated the local markets, making expansion even more difficult.

7. Does the strategy place realistic demands on the abilities of the firm?

This requires an objective appraisal of the firm's strengths and weaknesses. A key opportunity can rarely be taken advantage of without a compatible strength with which it can be paired. For example, if consumer research indicates the need to upgrade the quality of food or service, or if a more demanding customer is added to the target customer base, then correspondingly greater skills in cooking, service, purchasing, and quality control may be necessary. If a hotel company sees an opportunity to expand and desires to do so, financial resources, profit stability, operational systems, and adequate key personnel will be among the requisite skills. If customers are seeking value and the firm has a low profit margin, it may not be in a position to effectively take advantage of the opportunity without major changes. If a skill that is needed to take advantage of an attractive opportunity does not exist, a weakness, then management must decide whether it is worth the effort to make appropriate changes.

An important skill related to the implementation of any strategy is the firm's current ability to effectively and consistently execute policies and action plans. If most activities of the business are already carried out in exemplary fashion according to standardized policies, then implementation and control of new policies or strategies will normally be simplified.

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8. Is the strategy worth pursuing?

First and most important is: What are the financial or other competitive advantages, such as cost reductions (productivity), sales increases, improvement in image/public relations, quality improvements, and employee relations benefits that will accrue from the strategy? (Porter, 1980). What are the potential benefits of a $20,000 ad campaign for a mid-sized restaurant chain? Based on historical information and knowledge of the market, what might the increase in sales be during the campaign? Is the quality of the campaign such that it will have a residual effect either on sales or the firm's image? Is the campaign a necessary evil to defend against a strong competitor? Would another strategy, such as targeting existing customers through internal merchandising, be more lucrative, easier to implement, and less of a risk? Can the costs involved in the campaign be reduced through co-promotions with vendors or other restaurants or hotels? Can ad agency input be limited? Could a charitable event be sponsored?

Are the risks involved acceptable, and what might be the likely results from pursuing a certain strategy? Obviously, the hope is that something positive will result, but this is often based on some degree of optimism–blind or factually based. Generally, there is a double-barrel decision to be made. If 100 rooms are added to the hotel, there are both potential positive and negative outcomes. On the other hand, if the 100 rooms are not added, what might happen to business? Will conference business go elsewhere? There will always be risks involved in pursuing an opportunity, but there may often be greater risks involved in ignoring it.

9. How will competitors react?

A business must consider whether a competing firm will react to any specific strategic choice. If so, how soon will it happen; what might that reaction be; what amount of effort will be brought to bear on it; and how could it affect the firm and its new strategies? Some industry segments react quickly to competitive moves, while others react slowly, if at all (Porter, 1980). The majority of competitive reactions in the hospitality business are instigated by a competing firm's promotion of new products and services, or reductions in price for popular offerings. In the convenience or economy segment of the market–fast-food and budget or limited-service hotels and motels, most counterstrategies are related to changes in a competitor's price. The primary reason for this is the lack of differentiation between these competitors. Since brand loyalty is low, customers will quickly change buying habits according to who has the best deal. When one fast-food restaurant lowers its price, primary competitors are generally quick to follow. The alternative is a loss of market share or sales. There are, of course, instances

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where a fast-food restaurant's promotion of new menu items brings a reaction, but for the 1990s, value promotions appear to garner the quickest response.

Pricing counterstrategies for mid-scale and luxury markets are much less obvious and are rarely used in promotional campaigns. Each firm will keep up with competitors' room prices and menu prices and utilize this information when making seasonal or scheduled price changes. Competitors' reactions in the mid- to up-scale markets generally involve either a response to the addition of menu items or services, an increased emphasis on image advertising, or a focus on expansion.

Any type of promotional campaign that could affect a primary competitor's sales should take into account possible responses. The degree of change in a competitor's image or sales will generally dictate the severity of the reaction. Any such campaign should be accompanied by a contingency plan focused on defending against possible counterstrategies, especially attack or comparison advertisements. In many cases, this response would be a continued focus on the original campaign. For example, a hotel promoting its friendly service to the point of positioning itself as the "friendly hotel" would probably want to continue the promotion. As the competitor tries some type of diversion for the customer, through comparison ads or otherwise, the continued focus on friendly service during the battle would reinforce the attribute in the customer's mind. There is always the possibility that a competitor might develop an extremely effective comparison ad campaign that belittles the firm's "friendly service" ads. If this occurs, it is up to the marketing department to outgun the competitor with a direct response, begin working on another positive ad campaign, or lay low for a time to avoid an expensive promotional battle.

A common strategy by most large hospitality firms is that of expanding locations in order to be number one in a market. The possible counterstrategies are to select other markets, or if the market in question is strategic, follow the competing firm's expansion strategy. The objective of following the competitor would be to keep it from becoming number one in the market or to limit the size of the competitor's advantage. Specific reactionary strategies could focus on sales volume, size of customer base, image, or the most prominent locations.

Probable Strategic Direction

10. What should be the primary strategic thrusts for the next planning cycle?

After pertinent SWOT factors or groups of SWOT factors have been analyzed and potentially viable strategic alternatives selected, actual or prob-

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able strategic thrusts must be determined. The purpose of this, as with the rest of the strategic analysis process, is to increase the likelihood of an objective diagnosis of key issues and a platform from which to discuss remaining components of the strategic plan. It is not imperative at this point that selected strategic thrusts be set in stone. Through the questioning process many advantages and disadvantages will have been considered, but more will come forth as the planning process continues. Though the strategic analysis questioning sequence was initially developed as a means of setting the stage for the remainder of the planning process, it can successfully be used to develop actual strategies, tactics, and policies.

Strategic thrusts can be a single strategic alternative, such as ''promote more weekend packages,'' or a combination of strategies that focus on increasing promotions. For example, the strategic thrust of ''increase the promotional budget'' might include strategy alternatives, such as: the promotion of more weekend packages; increasing the use of radio; adding in-flight and meeting planner magazines to the promotional mix; double spending on the secretary's club; and so forth. Other examples of strategic thrusts are: focusing on new products, improving product or service quality, increasing the value perception, opening new locations, and remodeling hotel lobbies and restaurant dining rooms. The key to the strategic thrust question is that management has thoroughly and objectively analyzed the issue and can say with relative confidence that this is the best strategic direction for the firm.

CONCLUSION

There are several ways of viewing the strategic analysis process. Though its primary purpose is a means by which the firm will set business-level strategies, the analysis can also aid in the setting of long-and short-term objectives, corporate and functional strategies, and related tactics (policies and action plans). For example, a preliminary assessment of a firm's opportunities for growth (business strategies) will lead to a more realistic setting of objectives and a more thorough analysis of functional-level strategies and accompanying tactics. Other applications include using it to: (1) make sure that decision makers have a detailed knowledge and understanding of the firm's competitive position and available strategic choices; (2) to provide a platform for brainstorming of ''optional'' strategies that may not have been considered in other processes; (3) to force the company to review its existing strategies for soundness in light of new environmental data and the changing abilities of the firm; and (4) to develop a consensus on the general direction in which many of its most important strategies should be headed.

The use of the strategic analysis questioning process provides planners with a model to help determine key situational variables and the viability of

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potential strategies. This planning step not only saves time as objectives and various functional strategies are set, but also improves the effectiveness of the overall planning effort. No planning process or model will ever detail specifically what must be done to assure success. However, attempts must be made at clarifying these complex decisions and improving results. In the end, management must simply gather the best possible information; analyze it in an organized, logical manner; then make a decision. The strategic analysis questioning sequence facilitates this process.

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