



BOARDROOM STRATEGY

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Uncovering your strategic plan's hidden innovation

If you have done a strategic planning session in your organization then you're familiar with SWOT analysis: uncovering the inherent strengths, weakness, opportunities and threats that form the basis for a situational analysis of where your company is at today both internally and externally.

In many cases the SWOT analysis is simply part of the raw data included in the pre-reading or pre-work for the session and usually ends up in the final document to disclose the background assumptions that underlie the plan.

Standard practice in strategic planning is to discuss the SWOT as part of the context setting for the strategic session, ensuring that everyone is working from the same set of base assumptions.

There is a less commonly known way to leverage this analysis to uncover hidden opportunities for innovation and growth that is grounded in reality instead of hubris: the TOWS matrix.

Originally designed by **Heinz Wehrich**, professor of management at the **University of San Francisco**, the TOWS matrix (also referred to as the SWOT matrix), is a simple and effective way to leverage your SWOT analysis as a tool for bridging the gap between your organization's current state and the opportunities for growth and innovation that leverage your current environment.

Not unlike a SWOT analysis, the TOWS matrix looks at strengths, weaknesses, opportunities and threats, but takes it one step further to create four unique quadrants of analysis: strengths and opportunities, strengths and threats, weaknesses and opportunities and weaknesses and threats.

Here are the four quadrants of the TOWS matrix in detail.

Strengths and opportunities

The SO quadrant examines how we can use our strengths to take advantage of key opportunities in the market

today. If your company has significant experience with outsourcing production and low-cost foreign producers begin to enter your marketplace you can move deeper into outsourcing to further reduce your cost of goods sold.

Strengths and threats

The ST quadrant includes strategies that use our strengths to take advantage of the core threats that we're facing from outside the company today – from market to industry, economic and competitive forces. If one of your strengths is customer relationships and you have identified a low barrier to entry into your industry, then one approach you can take is to look for opportunities to take your customer experience to a level that is difficult for a new competitor to replicate.

Weaknesses and opportunities

The WO quadrant contributes strategies that allow your company to work around a

weakness to take advantage of an opportunity in the marketplace. A company that sees the opportunity to use technology to step ahead of the competition but does not have the internal resources to pull it off might use the approach of collaborating with a supplier or technology partner that does have the in-house expertise.

Weaknesses and threats

In terms of strategic leverage, the WT quadrant is the least attractive of the four quadrants. When your organization has a weakness that corresponds to a strong threat it can require drastic action to respond. The **Tesla Motors/Toyota** partnership is an excellent example of a strategy that leverages weaknesses and threats. Tesla's weaknesses were a lack of mass production capability and volume price discounts from suppliers. Combine that weakness with the threat of the large automobile manufacturers launching hybrids and all-electric vehicles like

the Chevy Volt and Tesla was struggling to come up with a way to compete. The introduction of Toyota's manufacturing expertise, volume purchasing, kaizen philosophy and quality standards level the playing field for Tesla.

The TOWS matrix looks at strengths, weaknesses, opportunities and threats, but takes it one step further

To truly take advantage of the power of the TOWS matrix, the key is to carefully compare each of the multiple strengths and weaknesses to each of the opportunities and threats. An easy way to keep track of the matched pairs is to nickname each of the different data points with a number, for example, S1 versus O1 (the first strength we recognize as compared with

the first opportunity we have uncovered), W2 versus O1, etc. This will ensure that you have looked at all the different strategic possibilities.

The value behind the TOWS matrix is that it takes a traditional SWOT and makes it actionable. By comparing internal strengths and weaknesses with external threats and opportunities, you can create specific actions, grounded in reality, that turn challenges into opportunities.

If you would like to learn about more about the complete matrix, I have posted an in-depth article by Wehrich on my blog at www.mikedesjardins.com. ■

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