STRATEGIC MANAGEMENT
Lesson 5: IFE Matrix

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Chapter Description

- **Expected Outcomes**
  - Demonstrate the ability to develop an IFE Matrix.

- **References**
  - David, F.R. (2013). Strategic Management: Concept & Cases, 14th Edition. Prentice Hall

The Internal Factor Evaluation (IFE) Matrix

STRENGTH

WEAKNESS

Functional Areas
- Management
- Marketing
- Finance
- Production
- R&D
- Finance

STRENGTH

WEAKNESS

STRENGTH

WEAKNESS

Function of IFE...

Summarize & evaluate the Strength + Weakness = Provide understanding on the relationship between the functional areas

Consists of 5 STEPS

The Internal Factor Evaluation (IFE) Matrix

STEP 1

- Internal factors identified in the internal audit process are listed.

- Total internal factors can be 10 to 20, both strengths & weaknesses.

- Strengths are listed first, follow by weaknesses.

- Use percentages or ratios, as specific as possible.

The Internal Factor Evaluation (IFE) Matrix

STEP 2

- For each of the internal factors, assigned a weight.
  - ❖ Range: 0.0 to 1.0 (not important to very important)
- The weight = the relative importance of the factor to be successful in the industry.
- Highest weight = Factors with greatest effect, regardless internal strength or internal weakness.
- The sum of all weights = 1.0.

The Internal Factor Evaluation (IFE) Matrix

STEP 3

- A rate between 1 & 4 is assigned to the listed factors.
  - i. a major weakness (rating = 1)
  - ii. a minor weakness (rating = 2)
  - iii. a minor strength (rating = 3)
  - iv. a major strength (rating = 4)
- Strengths = 3 or 4 rating & weaknesses =1 or 2 rating.
- Ratings = company-based, whereas the weights (Step 2) = industry-based.

The Internal Factor Evaluation (IFE) Matrix

STEP 4

- Each factor's weight X Rating = Weighted Score

STEP 5

- Total up the weighted scores for all variable = total weighted score.

The Internal Factor Evaluation (IFE) Matrix

- Total weighted score indicator:

The highest score = 4.0

The lowest score = 1.0

Average score = 2.5

Total weighted scores < 2.5:
The company is weak internally.

Total weighted scores > 2.5:
The company has strong internal position.

The Internal Factor Evaluation (IFE) Matrix

A Sample Internal Factor Evaluation Matrix for a Retail Computer Store Source: David (2013)

Key Internal Factors	Weight	Rating	Weighted Score
Strengths			
1. Inventory turnover increased from 5.8 to 6.7	0.05	3	0.15
2. Average customer purchase increased from $97 to $128	0.07	4	0.28
3. Employee morale is excellent	0.10	3	0.30
4. In-store promotions resulted in 20 percent increase in sales	0.05	3	0.15
5. Newspaper advertising expenditures increased 10 percent	0.02	3	0.06
6. Revenues from repair/service segment of store up 16 percent	0.15	3	0.45
7. In-store technical support personnel have MIS college degrees	0.05	4	0.20
8. Store's debt-to-total assets ratio declined to 34 percent	0.03	3	0.09
9. Revenues per employee up 19 percent	0.02	3	0.06
Weaknesses			
1. Revenues from software segment of store down 12 percent	0.10	2	0.20
2. Location of store negatively impacted by new Highway 34	0.15	2	0.30
3. Carpet and paint in store somewhat in disrepair	0.02	1	0.02
4. Bathroom in store needs refurbishing	0.02	1	0.02
5. Revenues from businesses down 8 percent	0.04	1	0.04
6. Store has no Web site	0.05	2	0.10
7. Supplier on-time delivery increased to 2.4 days	0.03	1	0.03
8. Often customers have to wait to check out	0.05	1	0.05
Total	**1.00**		**2.50**

END