An Example IFE Matrix

An example IFE Matrix is provided in Table 4-11 for a retail computer store. The table reveals that the two most important factors to be successful in the retail computer store business (as indicated by the highest weighted factors) are Strength #1: "Revenues from repair/service in the store," and Weakness #1: Location of store negatively impacted by new Highway 34. Note that among the strengths, the store's strategies are not responding well (rating is 2) to two factors: "Average customer purchase increased from $97 to $128" and "Debt-to-total assets ratio declines to 34%," as indicated by the assigned 2 ratings. Regarding the store's weaknesses, note that the owner's strategies are responding "superior" to two factors: (1) "Location of store negatively impacted by new Highway 34," as indicated by the rating of 4 (because plans are underway to perhaps relocate the store), and (2) "Bathroom needs refurbishing," as indicated by the rating of 4 (because the bathroom is in the process of being remodeled). Note that the store's IFE Matrix overall contains numerous dollars, numbers, percentages, and ratios, rather than vague statements; this is excellent. This store receives a 2.73 total weighted score, which on a 1- to 4-scale, indicates some success but there is room for improvement in store operations, strategies, policies, and procedures.

Table 4-11 **Sample Internal Factor Evaluation Matrix for a Retail Computer Store**

Key Internal Factors	Weight	Rating	Weighted Score
Strengths			
1. Revenues from repair/service in the store up 16%.	0.15	3	0.45
2. Employee morale is excellent.	0.10	3	0.30
3. Average customer purchase increased from $97 to $128.	0.07	2	0.14
4. In-store promotions resulted in 20% increase in sales.	0.05	3	0.15
5. In-store technical support personnel have MIS college degrees.	0.05	4	0.20
6. Inventory turnover increased from 5.8 to 6.7.	0.05	3	0.15

7. Debt-to-total assets ratio declines to 34%.	0.03	2	0.06
8. Newspaper advertising expenditures increased 10%.	0.02	3	0.06
9. Revenues per employee up 19%.	0.02	3	0.06
Weaknesses			
1. Location of store negatively impacted by new Highway 34.	0.15	4	0.60
2. Revenues from software segment of store down 12%.	0.10	2	0.20
3. Often customers wait 15 minutes to check out.	0.05	1	0.05
4. Store has no website.	0.05	2	0.10
5. Revenues from service segment down 8%.	0.04	1	0.04
6. Supplier on-time delivery increased to 2.4 days.	0.03	1	0.03
7. Carpet and paint in store somewhat in disrepair.	0.02	3	0.06
8. Bathroom in store needs refurbishing.	0.02	4	0.08
Total	**1.00**		**2.73**

Coupled with the EFE Matrix, the IFE Matrix provides important information for strategy formulation. For example, this retail computer store might want to hire another checkout person and repair its carpet and paint. Also, the store may want to increase advertising for its repair/services, because that is a really important (weight 0.15) factor to being successful in this business.

In multidivisional firms, each autonomous division or strategic business unit should construct their own IFE Matrix (and their own EFE Matrix). Divisional matrices then can be integrated to develop an overall corporate IFE Matrix. Be as divisional as possible when developing a corporate IFE Matrix. Also, in developing an IFE Matrix, do not allow more than 30 percent of the key factors to be financial ratios. Financial ratios are generally the result of many factors, so it is difficult to know what particular strategies should be considered based on financial ratios. For example, a firm would have no insight on whether to sell in Brazil or South Africa to take advantage of a high corporate ROI ratio.

Implications for Strategists

Figure 4-3 illustrates that to gain and sustain competitive advantages, a firm must formulate strategies that capitalize on internal strengths and continually improve on its internal weaknesses. Firms must nurture and build on competitive advantages embedded largely within the list of strengths included in an IFE Matrix. Coupled with the vision or mission and external audit, the internal audit must be performed methodicall