

Introduction to Strategic Analysis

Introduction to Strategic Analysis

Key concepts, steps, tools, and practical tips for applying strategic analysis in business.

1. What Is Strategic Analysis?

Aspect	Description
Definition	A systematic examination of an organization's internal capabilities and external environment to identify opportunities, threats, strengths, and weaknesses that shape strategic choices.
Purpose	• Inform long-term direction • Align resources with market realities • Reduce risk and improve decision-making
Scope	Covers the whole firm (corporate, business unit, functional) and the ecosystem in which it operates (industry, macro-environment).

2. Core Components

1. External Analysis – What's happening outside the firm?

- Industry structure
- Market trends
- Competitive forces
- Socio-economic, technological, legal, and political forces (PESTEL)

2. Internal Analysis – What does the firm do well (or poorly)?

- Resources (tangible & intangible)
- Core competencies
- Value chain activities
- Financial health & organizational culture

3. Strategic Issue Identification – Synthesize the two analyses to pinpoint the critical strategic questions that need answers.

Introduction to Strategic Analysis

3. Standard Analytical Frameworks

Framework	When to Use	Main Output
PESTEL	Scanning macro? environment	List of political, economic, social, technological, environmental, legal factors
Porter's Five Forces	Industry? level competitiveness	Rating of threat of new entrants, supplier power, buyer power, substitutes, rivalry
SWOT	High? level summary of internal & external factors	Matrix of Strengths, Weaknesses, Opportunities, Threats
VRIO (Value, Rarity, Imitability, Organization)	Assessing sustainable competitive advantage	Identification of resources that generate lasting advantage
Value?Chain Analysis	Understanding cost/ differentiation sources	Map of primary & support activities with cost/benefit insights
BCG / GE?Mckinsey Matrix	Portfolio management	Classification of business units/products (Stars, Cash Cows, etc.)
Scenario Planning	Uncertain futures	A set of plausible future environments and strategic responses

4. Step?by?Step Process

1. Define the Scope & Objectives

- Clarify the strategic question (e.g., market entry, diversification).
- Set boundaries (geography, business unit, time horizon).

2. Gather Data

- **External:** Industry reports, market research, news, regulatory filings.
- **Internal:** Financial statements, HR data, operational metrics, patents.

3. Conduct External Analysis

- Apply PESTEL ? identify macro trends.

Introduction to Strategic Analysis

- Use Five Forces ? assess industry attractiveness.
- Map competitors (positioning map, market share).

4. Conduct Internal Analysis

- Inventory resources & capabilities.
- Run VRIO on key assets.
- Build a value?chain diagram; locate cost drivers & differentiation points.

5. Synthesize Findings (SWOT)

- Match internal strengths with external opportunities ? **Strategic Fit**.
- Highlight weaknesses that expose the firm to threats ? **Strategic Gaps**.

6. Generate Strategic Options

- Use the **Ansoff Matrix** (market penetration, product development, market development, diversification) or **Porter's Generic Strategies** (cost leadership, differentiation, focus).
- Evaluate each option against feasibility, risk, and alignment