How to conduct strategic analysis

One critical piece of the Strategic Planning process is Strategic Analysis. It is an integral part of a company's evaluation program; it provides managers with a comprehensive assessment of the organization's capabilities and market factors; revealing growth opportunities and vulnerabilities. With this information, managers can more effectively choose from strategic alternatives and create the greatest future reward potential. A)Company Mission – Vision The first step I would take as part of my Strategic Analysis process would be to look at the Company's mission and its vision.

Mission statements include the aim of the organization, the organization's primary stakeholders, the product or service offered and a declaration of the organization's core purpose. A vision statement is similar to the mission statement but it doesn't include customers or clients in the statement. The vision statement is for members of the company and it paints a picture of what the company aims to be in the future. Both the mission statement and vision statement must be examined before beginning the strategic analysis as they provide the framework for this process.

B)External Analysis The next step I would take for my strategic analysis process would be to examine the company's externalenvironment. The external environment includes all factors that affect the firm. Some of these forces may be outside of the firm's control such as technological, governmental, economic, cultural, and demographic factors. Knowing these factors however, enables a firm to look at strategies that work within their respective environments.

Other factors within the external environment include: competitive rivalries, threat of new entrants, supplier power, buyer power, and threat of substitute products. These external industry environmental factors would be analyzed using Porter's Five Forces Model which is discussed below. -Porters 5 Rivals forces One of the earliest models used to examine industry economics and industry activeness is Michael Porter's Five Forces Model. This model identifies five forces at play in an industry's environment (external).

The five forces are: competitive rivalry, threat of new entrants, supplier power, buyer power, and threat of substitute products. The weaker these forces are the greater opportunity for superior performance by firms within the industry; the stronger these forces are the more difficult it will be. C)Internal Analysis The next step I would take in my Strategic Analysis Process would be to examine the company's internal environment. The internal environment consists of those factors that exist inside the company.

Some of these factors include the company's identity, the knowledge of their employees, their financial situation, etc. Again, similar to the external analysis, there are many different models that analyze a company's internal environment. The one to be discussed in this report would be the Value Chain which is explained below. - Value Chain Every company's business consists of a collection of activities undertaken in the course of designing, producing, and marketing, delivering, and supporting of its product or service.

All of the various activities that a company performs internally combine to form a value chain. This is because of the underlying intent of a company's activities, which is to do things that ultimately create value for buyers. A company's value chain also includes an allowance for profit because, it is customarily part of the price (or total cost) borne by buyers. The value chain consists of two types of activities: the primary activities that are foremost in creating value for customers, and the support activities that facilitate and enhance the performance of the primary activities.

To conduct a Value Chain analysis you first have to make sure all activities both primary and support are identified. After this is done, costs must be allocated to these activities using activity-based costing. Performing this analysis will provide a picture of which activities cost the mostmoneyand identify problem areas or areas that could be more cost efficient. D)SWOT Analysis The next step I would take for my Strategic Analysis Process would be to take the findings of my internal and external analysis and lay it out in a SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis.

The SWOT analysis guides you to identify the positives and negatives inside and outside of the organization. A SWOT analysis will provide perspective, and reveal connections and areas for action. The SWOT analysis breaks down Internal Strengths and Weaknesses of the organization along with External Opportunities and Threats. Strengths and Weaknesses of the Organization (Internal): In this part of the analysis, factors which are internal or within the control of the organization should be identified.

These factors may include: skills and resources, structure, shared values, finances, staff/directors, and style ofleadershipwithin the organization or systems such as communications channels. All of these things will ultimately play a role in the organization and its mission. Opportunities and Threats Facing the Organization (External): All organizations are affected by outside influences over which they may have little control, this part of the analysis these factors will be identified. These factors have varying degrees of impact which are both positive and negative, on the organization.

Factors to be addressed here will relate to the mission. They may include activities of competing organizations, government policies, society/community influences or trends, markets, the economy, lifestyles, the environment, demographic trends, technological advances or alternatives. E)Long-term objectives/Key Issue or Decision Point When information regarding the company and its internal and external environments has been laid out, long term objectives must be established. The key issue or decision point must be addressed.

With the information gathered, realistic and measurable long term objectives may be set. One way of addressing or scoring these long term objectives would be to use a balanced score card. If the company’s long term objectives have already been set, then perhaps there is a key issue addressed or a decision that must be made. In this section of the strategic analysis process this issue or decision will be identified and analyzed in detail. F)Alternatives In this section of my strategic analysis process, alternative strategies to meet the long term objectives or to solve the issue or decision will be xplored. At first, all possible options will be laid out, including the status quo. The options will be narrowed down using pros and cons, as well as forecasting the outcomes of the various strategies. G)Choosing the Strategy/Recommendations This is the final piece of the strategic analysis process. This involves choosing the best possible strategy of all the alternatives listed above. After the best strategy is chosen, recommendations may be given as well as an implementation plan developed.