

Strategy Analysis

Strategy analysis may be looked upon as the starting point of the strategic management process. It consists of the “advance work” that must be done in order to effectively formulate and implement strategies. Many strategies fail because managers may want to formulate and implement strategies without a careful analysis of the overarching goals of the organization and without a thorough analysis of its external and internal environment.

Analyzing Organization Goals and Objectives

Organizations must have clearly articulated goals and objectives in order to channel the efforts of individuals throughout the organization toward common ends. Goals and objectives also provide a means of allocating resources effectively. A firm’s vision, Mission, and strategic objectives form a hierarchy of goals that range from broad statements of intent and bases for competitive advantage to specific, measurable strategic objectives.

Analyzing the External Environment

Managers must monitor and scan the environment as well as analyze competitors. Such information is critical in determining the opportunity and threats in the external environment. We provide two frameworks of the external environment. First, the general environment consist of several elements, such as demographic, technological, and economic segments, form which key trends and events can have a dramatic impact on the firm. Second, the industry environment consists of competitors and other organizations that may threaten the success of a firm’s products and services.

Assessing the Internal Environment

Useful frameworks for analyzing a firm’s internal environment helps to identify both strengths and weaknesses that can, in part, determine how well a firm will succeed in an industry. Analyzing the strengths and relationships among the activities that constitute a firm’s value chain (e.g., operations, marketing and sales, and human resource management) can be a means of uncovering potential sources of competitive advantage for the firm.

Dess, Gregory G., G.T. Lumpkin and Marilyn L. Taylor. Strategic Management. 2 ed. New York: McGraw-Hill Irwin, 2005.