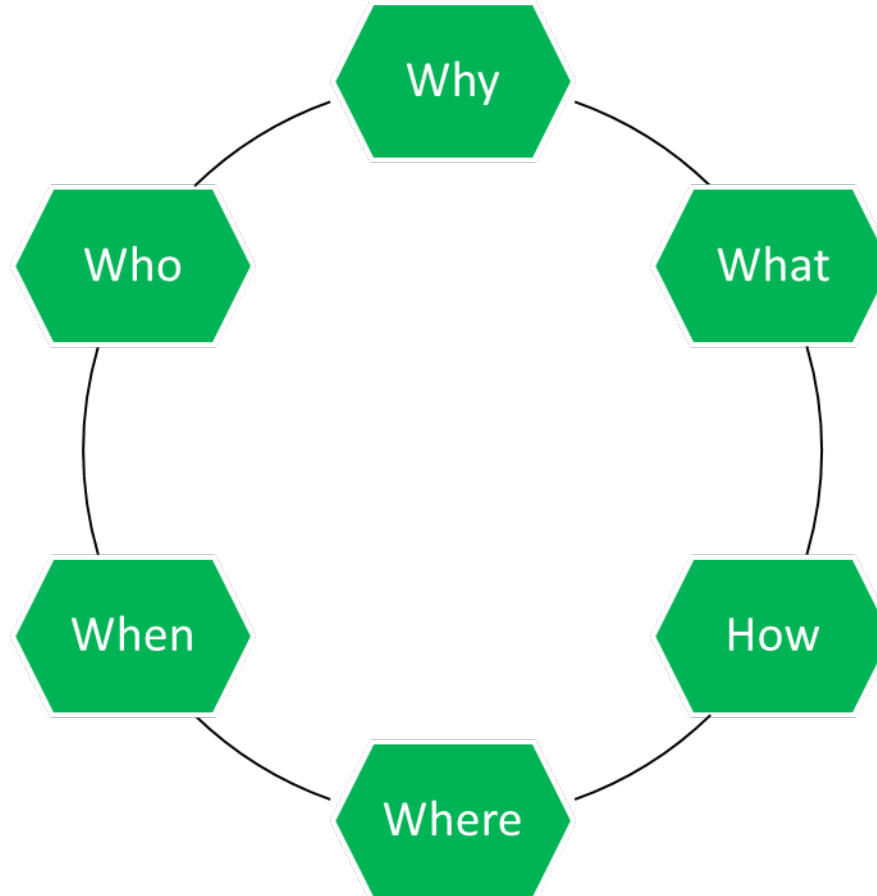


Strategic Analysis



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Some Basic Tools for Strategic Analysis

- SWOT Analysis
- Industry Analysis
- Driving Forces Analysis
- Four Trajectories of Industry Change Analysis
- BCG Growth/ Share Portfolio Matrix
- GE Business Screen Matrix
- Value Chain Analysis
- McKinsey 7S Analysis
- Strategic Relationship Analysis
- Critical Success Factors Analysis

SWOT Analysis

This tool was developed by Albert Humphrey for identifying opportunities and threats in the business environment as well as strengths and weaknesses within a firm.

It can be used for analysing the connectivity between environmental forces and strategic capability, in so doing identifying key factors that determine new strategies, and providing a platform for testing and validating strategic initiatives.

Evolution of SWOT Analysis



SWOT



SWOTT



SOAR



SLOPE



SWOTT

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graph TD; SWOTT --- Strength; SWOTT --- Weaknesses; SWOTT --- Opportunities; SWOTT --- Threats; SWOTT --- Trends;
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Strength

Weaknesses

Opportunities

Threats

Trends

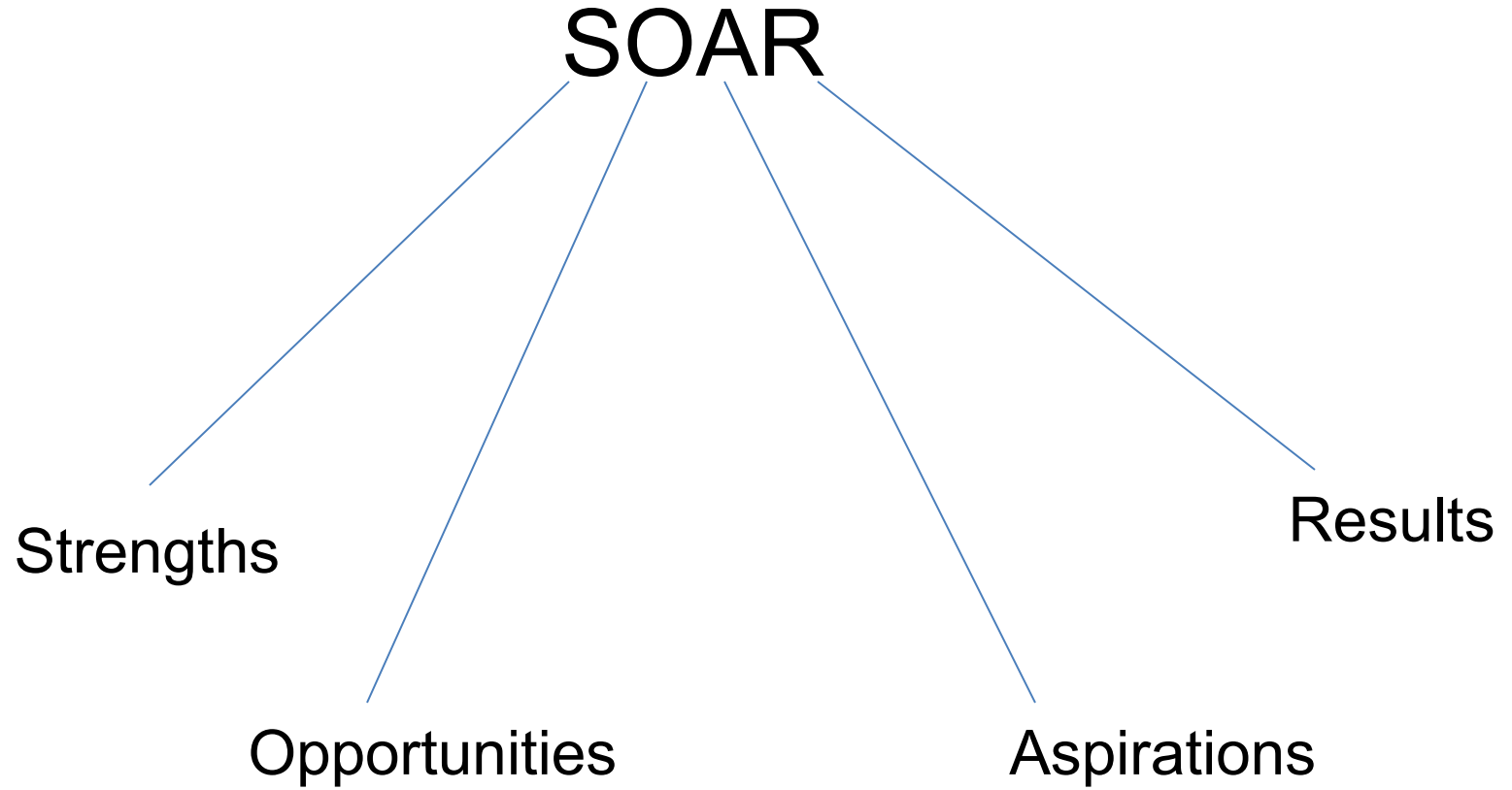
SOAR

Strengths

Opportunities

Aspirations

Results



SLOPE

This variant of SWOT was developed by Shona Moody for assessing strengths, limitations, obstacles and potential excellence.

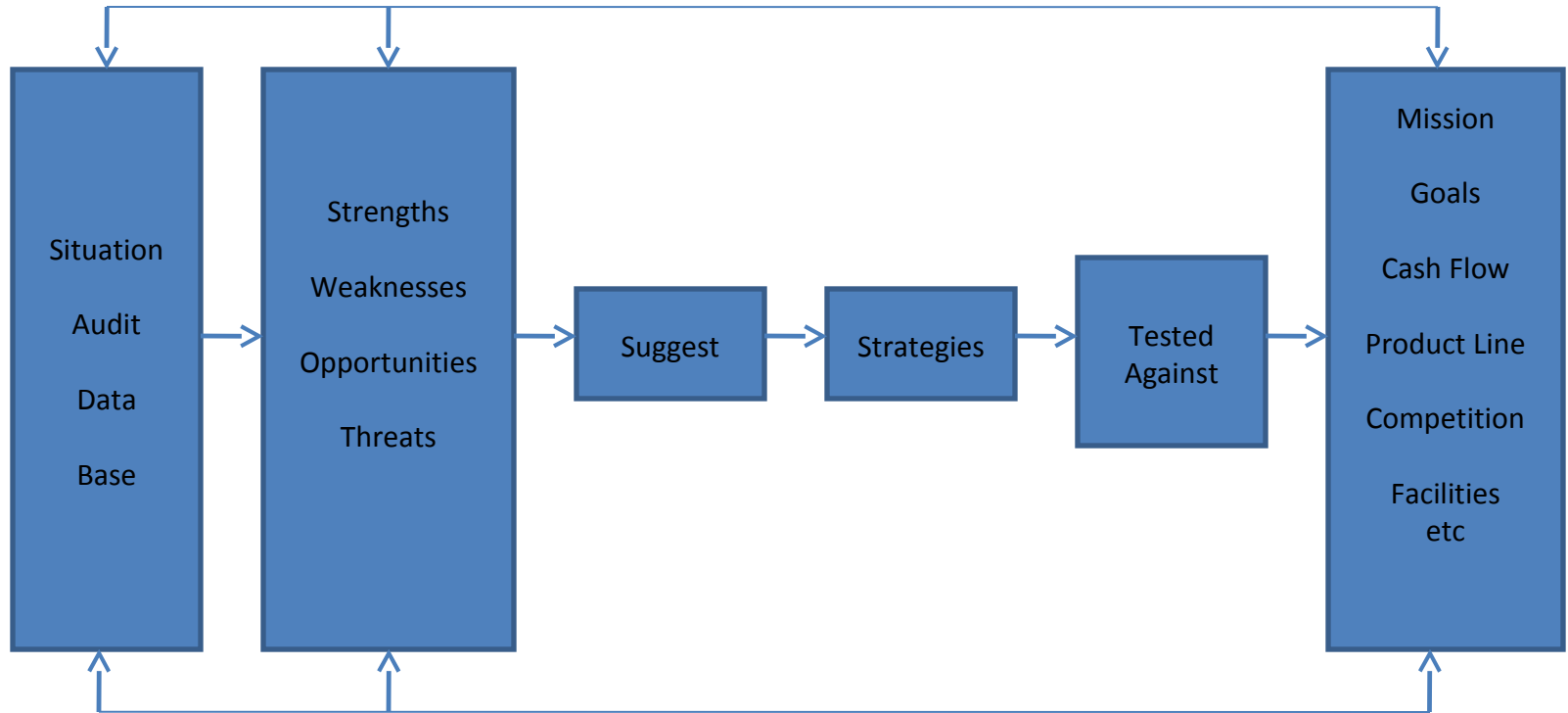
Problems of SWOT Analysis

- The structure stresses occurrence of all opportunities and threats must be external, meanwhile in reality some are within a firm.
- Contradictory inputs give rise to error
- It's too mechanistic

Conducting SWOT Analysis

- Indicate objectives of analysis
- Identify all the strengths and weaknesses of the firm (weighing resources and competencies) in line with stated objectives.
- Identify all the opportunities and threats pertaining to stated objectives.
- Examine the interplay of strengths and weaknesses versus opportunities and threats (SO, WO, ST & WT).
- Identify action points for achievement of stated objectives.
- Assess & Align

Using SWOT Analysis to Suggest and Test Strategies

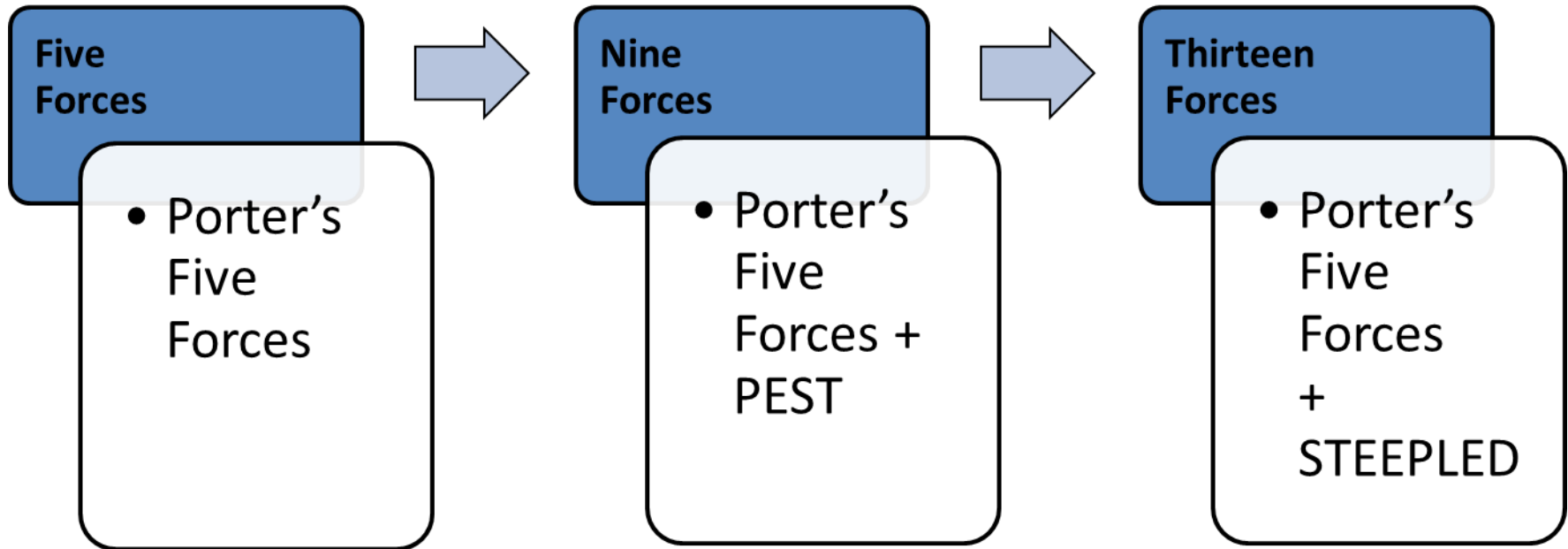


Source: George Steiner and John Miner

Industry Analysis

This aims at identifying and evaluating all the forces that operate within and around the specific industry where a firm competes.

Evolution of Industry Analysis

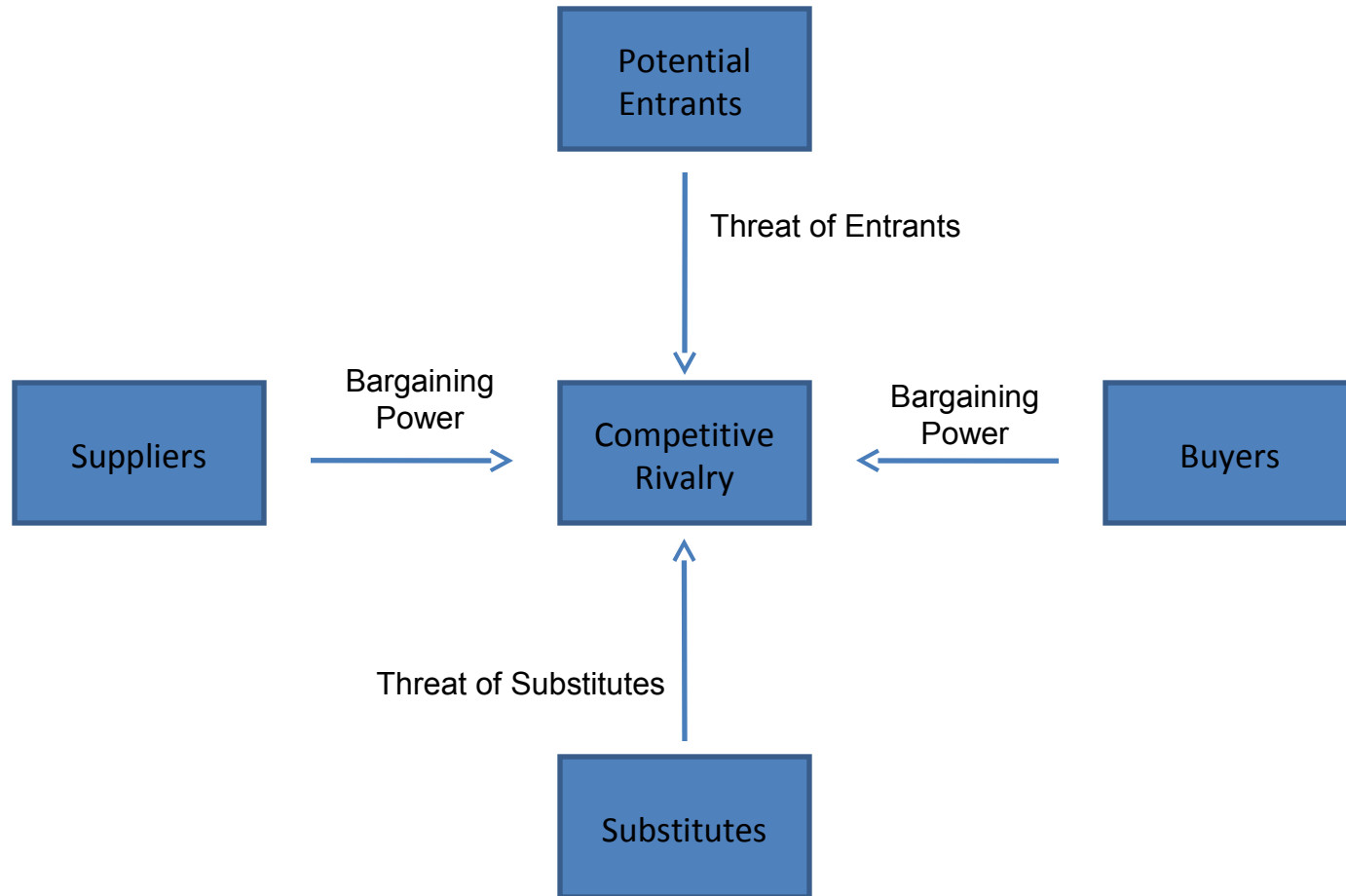


Porter's Five Forces

This tool was developed by Michael Porter for analysing a firm's industry structure in strategic processes.

Wherefore, it provides room for ascertainment of market attractiveness by assessing total effect of the five forces on a firm's ability to make profit while relating with its customers.

The Five Forces



Source: Michael Porter, Competitive Strategy

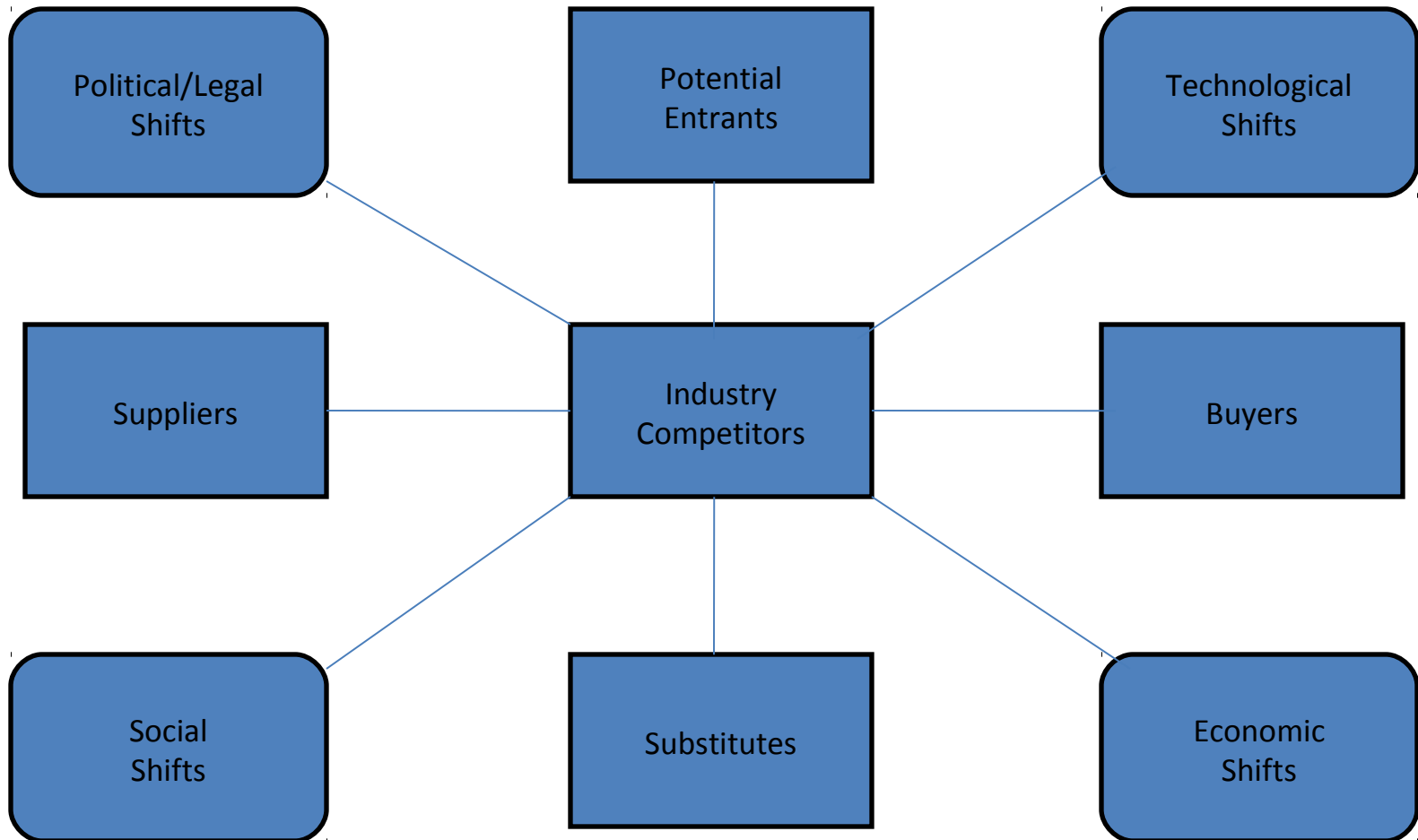
Applying The Five Forces

Force	Factors for Consideration
Bargaining Power of Buyers	<ul style="list-style-type: none"> •Concentration of Customers •Level of Fixed Cost in Industry •Size of Customers •Switching Cost •Ease of Substituting Product <ul style="list-style-type: none"> •Quantity of Goods Purchased •Importance of Product to Buyers
Bargaining Power of Suppliers	<ul style="list-style-type: none"> •Availability of Substitutes •Switching Cost •Ease of Forward Integration •Network among Suppliers
Threat of Entrants	<ul style="list-style-type: none"> •Dearth of key resources •Economies of Scale •Customer Loyalty •Initial Investment Level <ul style="list-style-type: none"> •Intellectual Property •Control of Channels •Legislation •Switching Cost
Threat of Substitutes	<ul style="list-style-type: none"> •Level of Customer Relationship •Customer Loyalty •Switching Cost •Price to Performance Ratio
Extent of Competitive Rivalry	<ul style="list-style-type: none"> •Exit Barriers •Level of Differentiation •Growth Rate of Market •Identicalness of Strategy

Problems of Porter's Five Forces

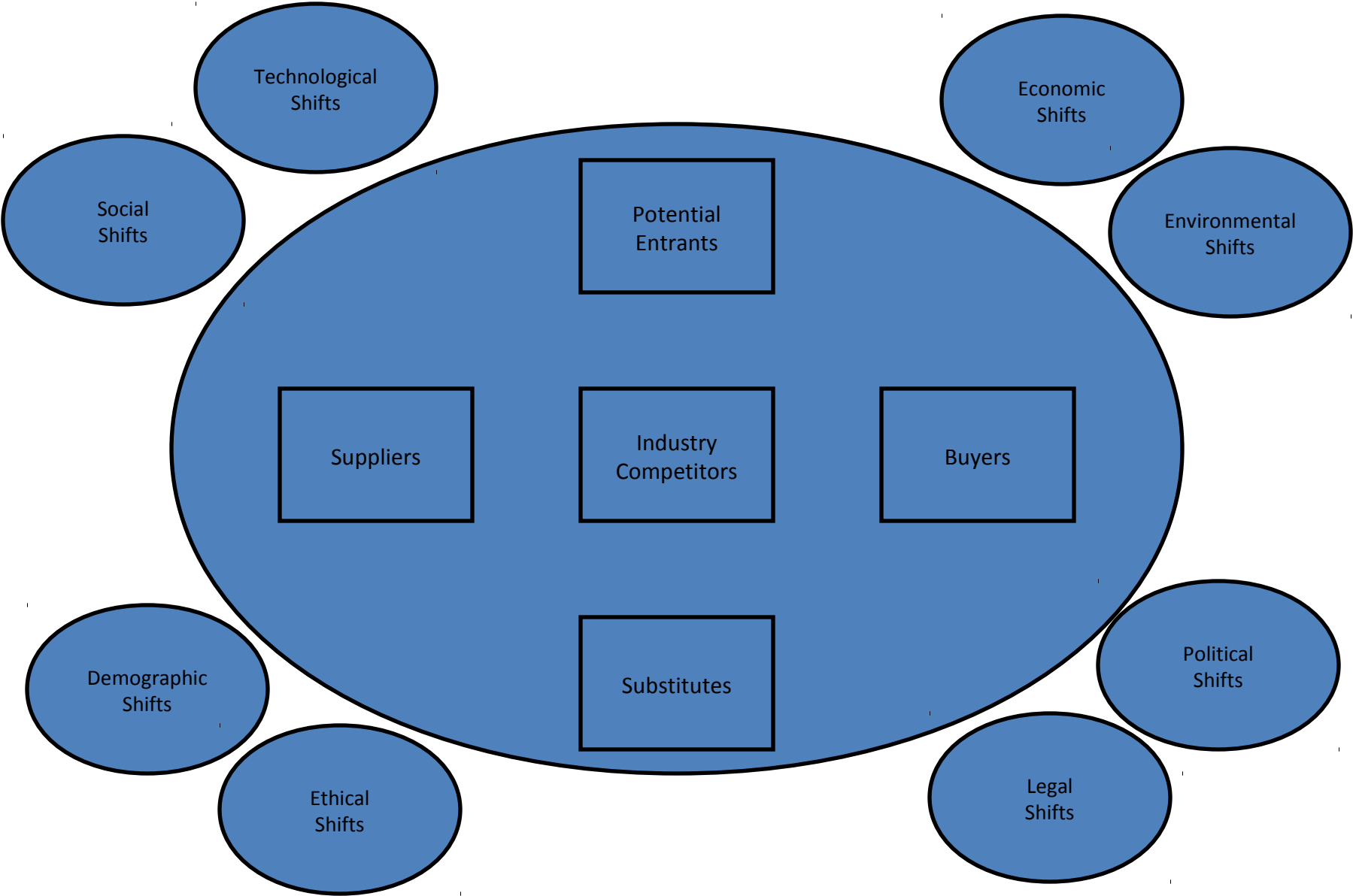
- It can't be easily used for very complex industries with diverse and hidden networks.
- It can't cope with the cuff of dynamic markets.
- It can't fit into a highly regulated industry

The Nine Forces



Source: Craig Fleisher & Babette Bensoussan, Business & Competitive Analysis

The Thirteen Forces



Source: *Elijah Ezendu, Competitive Intelligence Analysis*

Driving Forces Analysis

This tool is used for identifying the driving forces of change and uncertainties in an industry, in addition to assessing their impact, in order to proffer solution.

How to Conduct Driving Forces Analysis

- Identify all the main driving forces in a particular industry.
- Assess and rank the impact of each driving force.
- Consider impact and proffer solution.

Identifying Driving Forces

Every set of stakeholders within a particular industry and the ensuing macroenvironmental factors would be examined in order to find out associated driving forces.

Assessing and Ranking Driving Forces

A rating system of 1 to 10 (signifying weak to strong) can be used to mark the strength of each driving force as well as the ease of influencing it. Thereafter, the sum of strength and influence would be used to determine rank of each driving force.

Problems of Driving Forces Analysis

- Improper assessment of stakeholders or macroenvironmental factors.
- Corporate fantasy
- It cannot singlehandedly determine a firm's strategy.

Four Trajectories of Industry Change Analysis

This tool was developed by Anita McGahan in 2004. It's used for identifying and understanding change in an industry, so as to know whether to move out of it.

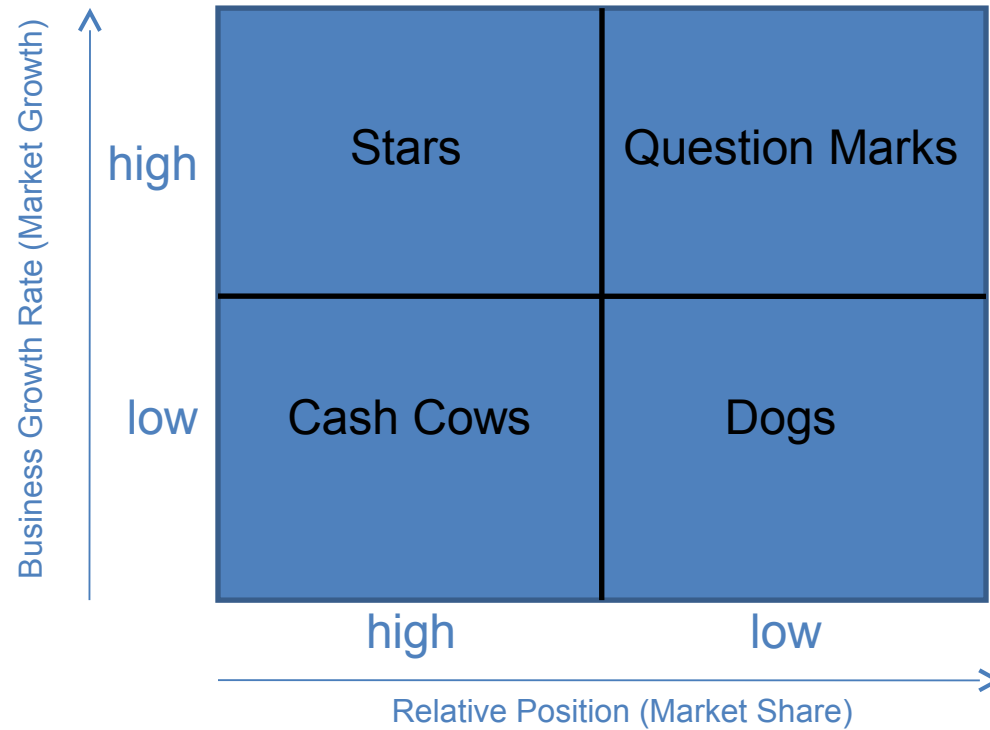
How to Conduct Four Trajectories of Industry Change Analysis

- Identify all the core assets and core activities of an industry.
- Check-up threats to the core assets and core activities.
- Identify the trajectory of industry change occurring in the industry using the format below:
 - (Radically: Core assets and core activities are threatened to become obsolete
 - Progressive: Core assets and core activities are not affected.
 - Creative: Core assets are threatened but core activities are stable.
 - Intermediating: Core activities are threatened but core assets still have capacity to create value.
- Establish appropriate course of action.

BCG Growth Share Portfolio Matrix

It was developed by Boston Consulting Group for detecting areas of priorities in the business portfolio of a firm.

The BCG Matrix



Hot to Use BCG Growth Share Portfolio Matrix

- i. Identify all the business units of a firm.
- ii. Determine the growth rate and market share of each business unit.
- iii. Determine the stars, cash cows, dogs and question marks.
- iv. Portray them as stated below.

Stars: Maintain your market share and use vertical or horizontal integration, product development, market penetration/ development to optimize.

Cash Cows: This should be well managed to enhance profitability.

Dogs: This should be liquidated or divested.

Question Marks: Effort towards better positioning include product development, market penetration/ development or alternatively divestment can be implemented.

Problems of BCG Growth Share Portfolio Matrix

- The structure is too narrow.
- There are other indicators of market attractiveness apart from market growth.
- Profitability is not synonymous to market share
- It does not account for synergy factor between business units.
- It may be difficult to get full data on market share and growth rate.

GE Business Screen Matrix

It was developed by McKinsey for General Electric in an attempt to craft a business portfolio tool better than BCG Matrix .

GE Business Screen Matrix

		Business Unit Strength		
		High	Medium	Low
Industry Attractiveness	High			
	Medium			
	Low			

How to Use GE Business Screen Matrix

- Identify the business units of a firm.
- Determine industry attractiveness of each business unit by considering drivers such as market size, market growth rate, workforce availability, rivalry in industry, profitability, global opportunities, risk of returns in the industry, pricing trend, demand variability and Macroenvironmental factors.
- Determine business unit strength by considering drivers such as production capacity, brand equity, market share, customer loyalty, quality, management, distribution strength, relative cost position, asset strength, relative profit position, innovation etc.
- Determine relative importance weight of each driver.
- Award mark to business units on each driver.
- Multiply the relative weights and marks for each business unit.
- Plot and interpret
- Review

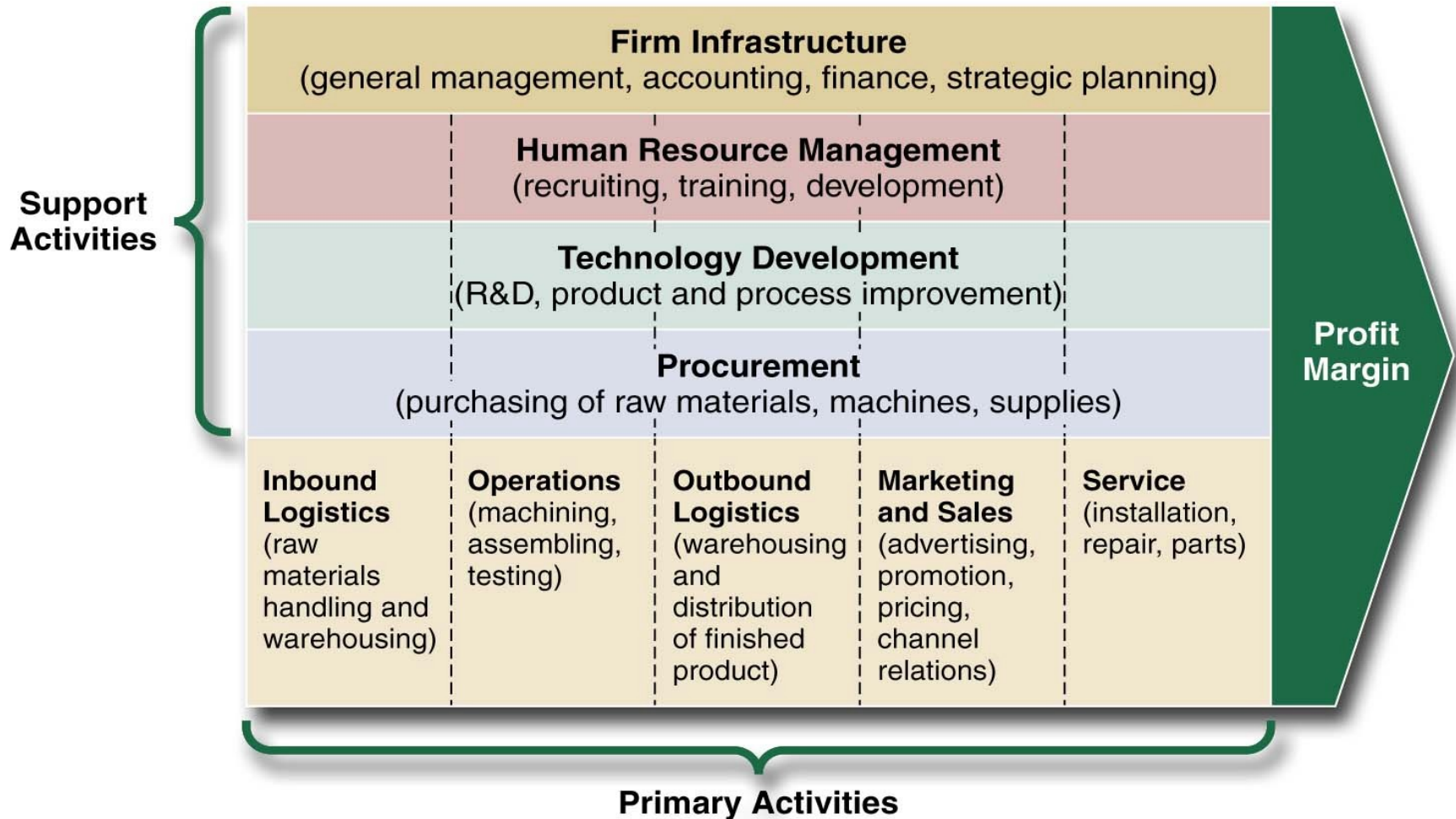
Problems of GE Business Screen Matrix

- It does not consider synergy factors between business units.
- It does not capture the role of core competencies.
- Difficulty in evaluating drivers.
- It's a narrow view.

Value Chain Analysis

The value chain concept was developed by Prof. Michael Porter for describing activities that occur within and around a firm and relating them to the firm's competitive strength. In this analysis, activities would be identified and the value added established.

Value Chain Concept



Source: M.E. Porter, *Competitive Advantage, Creating and Sustaining Superior Performance*

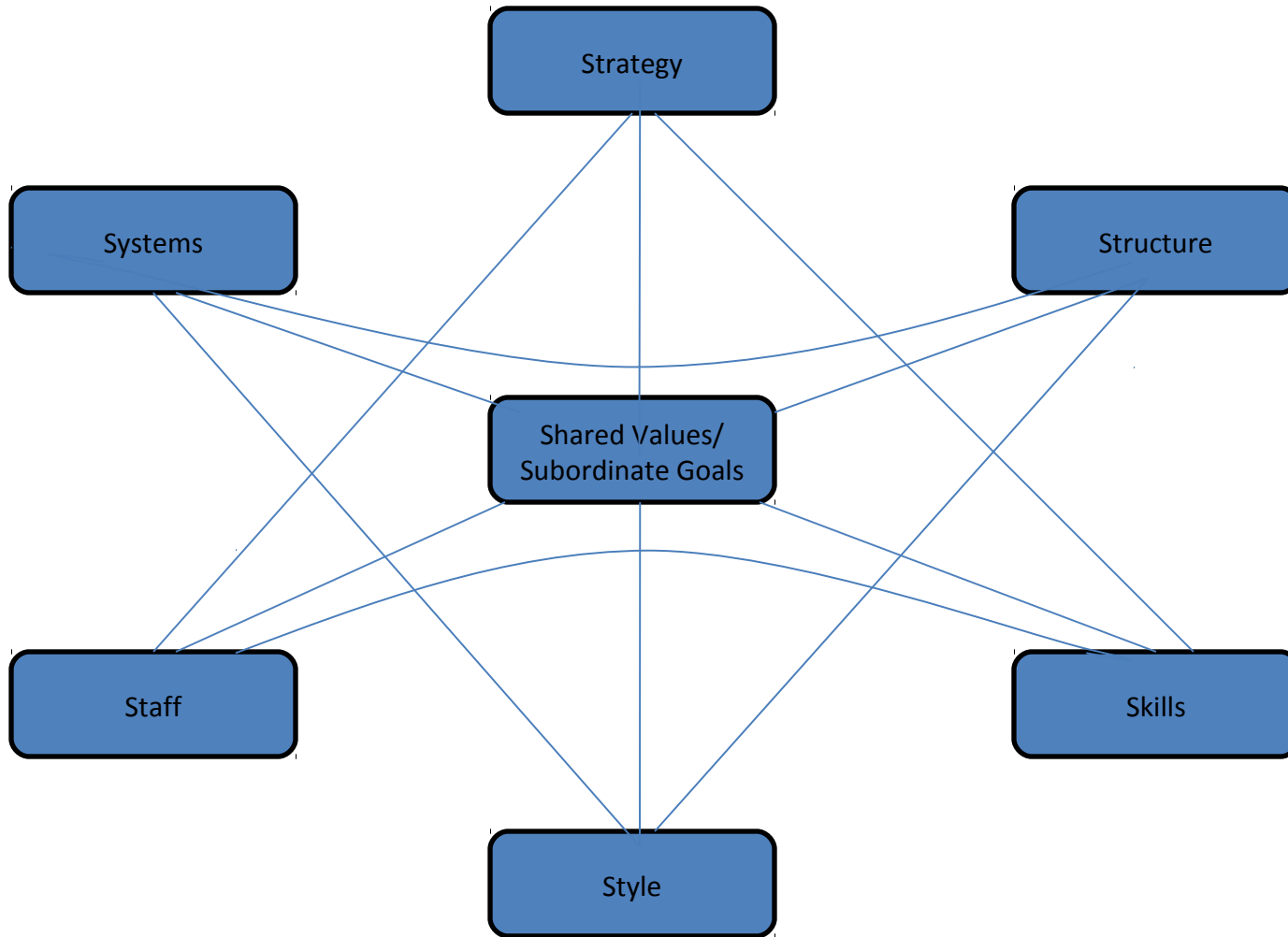
Benefits of Value Analysis

- Identifies inefficient activities.
- Identifies distinctive roles of activities
- Identifies activities that are value-adding to customers.
- Provides room for ascertainment of cost/value of activities.

McKinsey 7S Analysis

It was first put out in “The Art of Japanese Management” by Richard Pascale and Anthony Athos in 1981, as a result of their findings on the reasons for success of Japanese firms. It was adopted by McKinsey & Co. It serves as a tool for testing the strength of strategic degree of fit between the current and anticipated strategy of a firm.

7S Framework Model



How to Conduct McKinsey 7S Analysis

- Examine each of the 7S.
- Identify the key success factors of each 'S'.
- Ascertain the gap between the elements and the strategic fit.
- Solution should be either to amend the elements accordingly or to alter the strategy.

Strategic Relationship Analysis

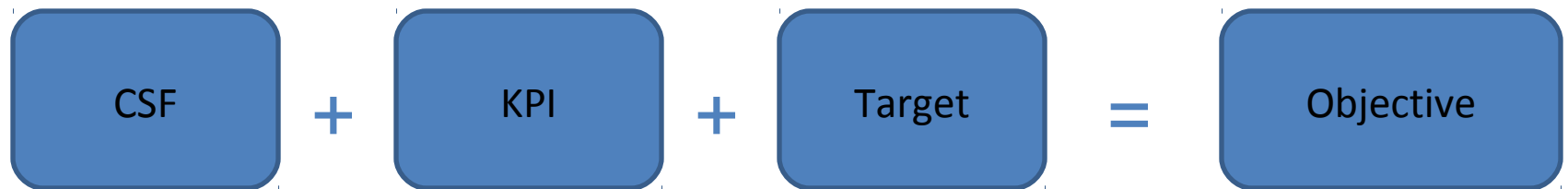
This is used for identifying current and future impact of strategic inter-firm relationships.

How to Conduct Strategic Relationship Analysis

- i. Assessment of a particular firm's position in terms of readiness and capability.
- ii. Assessment of rival's relationships, relationship resources and capabilities. Assess the relationships with factors such as Relationship Mix, Duration of Relationship, Number of Relationships, Size of firms in relationship, Location of Relationship, Opportunities for knowledge-flow, Top Management Expertise for relationships, Groups of Relationships, Performance of Relationships, Positioning in Relationships with Respect to Other Players, Projected capabilities of the relationships.
- iii. Ascertain competitive impact of rivals relationships on the firm.

Critical Success Factors Analysis

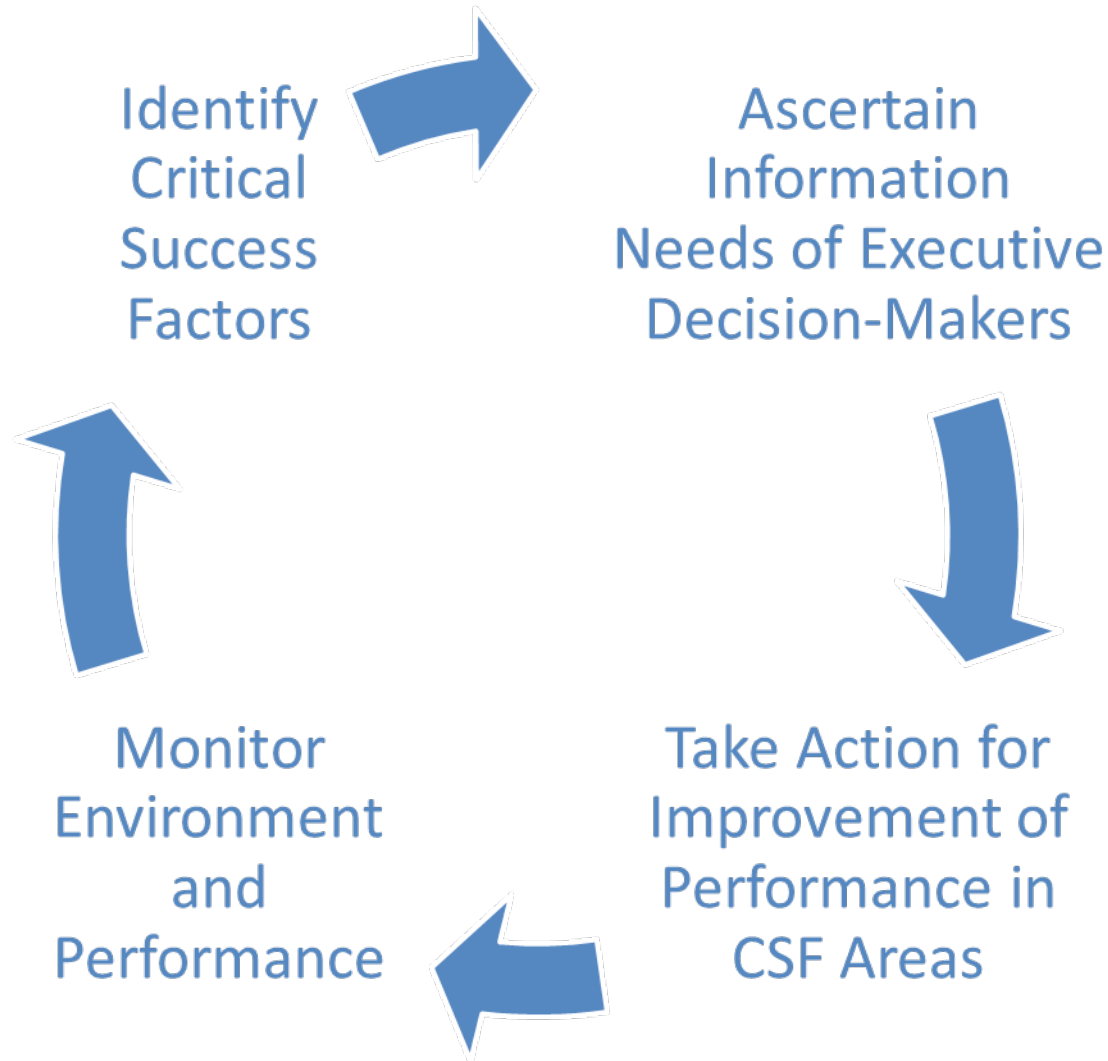
It focuses on identification of few factors that overwhelmingly ensure attainment of a firm's goals.



CSF and KPI Process

- Determine vision of a firm.
- Set-up the firm's strategic goals.
- Identify key factors (CSF) that influence each goal.
- Establish a measure (KPI) for each CSF.
- Determine target for each CSF.

Process of Identifying and Monitoring Critical Success Factors



How to Identify Critical Success Factors

- Use the industry analysis to determine critical success factors of the industry in which a firm operates.
- Evaluate the CSF and rate them in terms of degree of influence to the firm.
- Identify the 3 topmost CSF.

Dr Elijah Ezendu is Award-Winning Business Expert & Certified Management Consultant with expertise in Interim Management, Strategy, Competitive Intelligence, Transformation, Restructuring, Turnaround Management, Business Development, Marketing, Project & Cost Management, Leadership, HR, CSR, e-Business & Software Architecture. He had functioned as Founder, Initiative for Sustainable Business Equity; Chairman of Board, Charisma Broadcast Film Academy; Group Chief Operating Officer, Idova Group; CEO, Rubiini (UAE); Special Advisor, RTEAN; Director, MMNA Investments; Chair, Int'l Board of GCC Business Council (UAE); Senior Partner, Shevach Consulting; Chairman (Certification & Training), Coordinator (Board of Fellows), Lead Assessor & Governing Council Member, Institute of Management Consultants, Nigeria; Lead Resource, Centre for Competitive Intelligence Development; Lead Consultant/ Partner, JK Michaels; Turnaround Project Director, Consolidated Business Holdings Limited; Technical Director, Gestalt; Chief Operating Officer, Rohan Group; Executive Director (Various Roles), Fortuna, Gambia & Malta; Chief Advisor/ Partner, D & E; Vice Chairman of Board, Refined Shipping; Director of Programmes & Governing Council Member, Institute of Business Development, Nigeria; Member of TDD Committee, International Association of Software Architects, USA; Member of Strategic Planning and Implementation Committee, Chartered Institute of Personnel Management of Nigeria; Country Manager (Nigeria) & Adjunct Faculty (MBA Programme), Regent Business School, South Africa; Adjunct Faculty (MBA Programme), Ladoke Akintola University of Technology; Editor-in-Chief, Cost Management Journal; Council Member, Institute of Internal Auditors of Nigeria; Member, Board of Directors (Several Organizations). He holds Doctoral Degree in Management, Master of Business Administration and Fellow of Professional Institutes in North America, UK & Nigeria. He is Innovator of Corporate Investment Structure Based on Financials and Intangibles, for valuation highlighting intangible contributions of host communities and ecological environment: A model celebrated globally as remedy for unmitigated depreciation of ecological capital and developmental deprivation of host communities. He had served as Examiner to Professional Institutes and Universities. He had been a member of Guild of Soundtrack Producers of Nigeria. He's an author and extensively featured speaker.

Thank You



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