

Study Material

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Subject – Strategic Management

Topic – Strategic Analysis - Choice, Tools and Techniques

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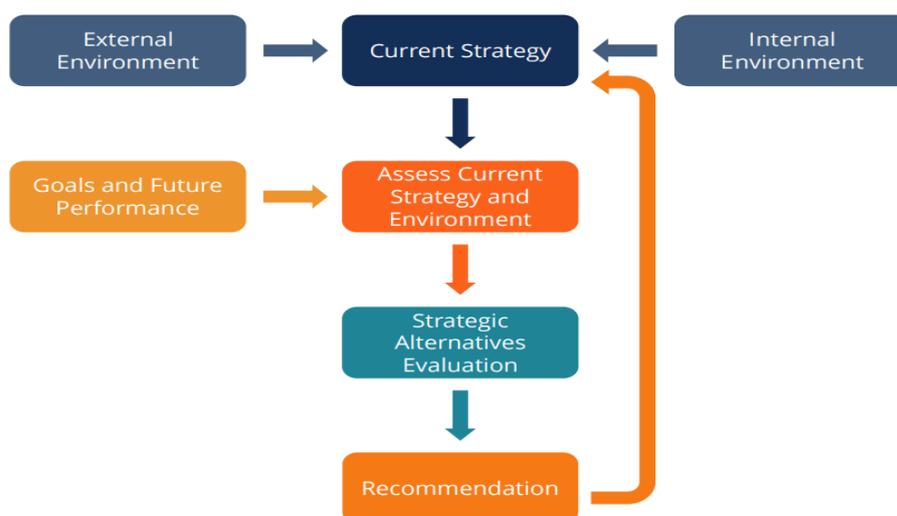
STRATEGIC ANALYSIS –CHOICE, TOOLS & TECHNIQUES

Strategic analysis refers to the process of conducting research on a company and its operating environment to formulate a strategy. The definition of strategic analysis may differ from an academic or business perspective, but the process involves several common factors:

1. Identifying and evaluating data relevant to the company's strategy
2. Defining the internal and external environments to be analysed
3. Using several analytic methods such as Porter's five forces analysis, SWOT analysis, and value chain analysis

Strategic Analysis Process

The following info graphic demonstrates the strategic analysis process:



1. Perform an environmental analysis of current strategies

Starting from the beginning, a company needs to complete an environmental analysis of its current strategies. Internal environment considerations include issues such as operational inefficiencies, employee morale, and constraints from financial issues. External environment considerations include political trends, economic shifts, and changes in consumer tastes.

2. Determine the effectiveness of existing strategies

A key purpose of a strategic analysis is to determine the effectiveness of the current strategy amid the prevailing business environment. Strategists must ask themselves questions such as: Is our strategy failing or succeeding? Will we meet our stated goals? Does our strategy align with our vision, mission, and values?

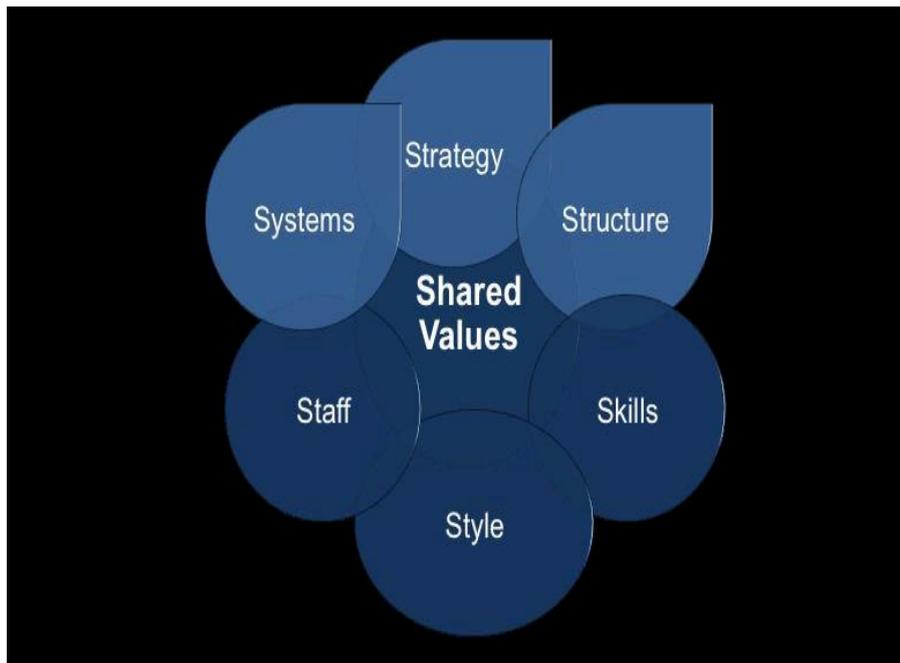
3. Formulate plans

If the answer to the questions posed in the assessment stage is “No” or “Unsure,” we undergo a planning stage where the company proposes strategic alternatives. Strategists may propose ways to keep costs low and operations leaner. Potential strategic alternatives include changes in capital structure, changes in supply chain management, or any other alternative to a business process.

4. Recommend and implement the most viable strategy

Lastly, after assessing strategies and proposing alternatives, we reach the recommendation. After assessing all possible strategic alternatives, we choose to implement the most viable and quantitatively profitable strategy. After producing a recommendation, we iteratively repeat the entire process. Strategies must be implemented, assessed, and re-assessed. They must change because business environments are not static.

The McKinsey 7S Framework is a management model developed by well-known business consultants Robert H. Waterman, Jr. and Tom Peters in the 1980s. This was a strategic vision for groups, to include businesses, business units, and teams. The 7 S are structure, strategy, systems, skills, style, staff and shared values.



To help to better understand this model, it is divided into two categories – hard elements, and soft elements. Three of the factors are categorized on the hard elements side, with four on the soft elements side. Let’s take a look at each of these separately to better understand how the McKinsey 7-S Model can influence an organization.

The Hard Elements

The three factors which are considered as ‘hard’ elements under this model are strategy, structure, and systems. For most managers, these are going to be the elements that are easier to understand and quantify. In fact, these are probably the areas that are currently spending most of time, even if one don’t think about them as such.

These are the classic elements of business operations and work on a daily basis very likely relates to one or more of these areas.

Strategy. This is a high-level perspective on the business and how one can plan to rise above his competitors over time. Most likely, one will be able to draw most of strategy from the business plan that should have been drafted when it was first getting started. In some cases, strategy could be defined by the subsection of the business in which we work. For example, if we are the accounting manager within a larger organization, our strategy may relate to how we can

best provide the accurate data that is required by those above our – as opposed to having it relate the business operations as a whole.

Structure. The structure element is another one that we probably have a handle on already. Structure is often visualized in the form of an organizational chart or other document that outlines who reports to whom. This structure could deal in terms of the whole organization, or simply a department within the company, such as the accounting department from our previous example.

Systems. How the job gets done. This is the work that is taking place on a regular basis to keep the business operating and moving forward. Most likely, the system is where we spend the vast majority of our time as a manager. Making sure all of our employees are working on the right projects, and getting them done in time, is the life of a leader within any business. Without systems that function properly, none of the rest of the model will get anywhere.

It should be pretty easy to get a handle on these hard elements of the model. However, just by thinking of them in this way and making sure each is aligned to the other, our management style could be improved or refined.

The Soft Elements

This is where it will get trickier for many people. The soft elements within this model are somewhat harder to define, and definitely more difficult to quantify. They are no less important, however, and the good leader will give them just as much time and attention as the previous group.

Shared Values. We need to think this point as the overall culture of the company, and the purpose behind everything that is done. The shared values of an organization should stretch to all employees, to create a feeling of cohesiveness and companionship.

Style. How are we going to lead our team? The style of leadership that we use should fall in line with both the culture of the organization, and the needs of our team. There are many different leadership styles employed by managers depending on the situation, so we need to craft our own approach to the job as we see best fit based on the circumstances around us.

Staff. Understanding the strengths and weaknesses of our team is a classic leadership responsibility – but we also need to know how to then get the most from them while also developing their skills along the way. A good leader will constantly be improving their team so they are stronger tomorrow than they are today.

Skills. In many ways, this point goes along with staff in terms of knowing what can get done in-house with the skills available to us. We never want to ask someone on our team to do something they aren't capable of, so having a strong understanding of the skills within staff is something that we should prioritize.

Within these seven elements is essentially everything that a good manager needs to pay attention to on a regular basis. One can probably already have a good feel for many of these points, but some of them may be new to us – or we may have let them slide recently. Organizational alignment is an important quality within any business, and following the McKinsey 7-S Model is a good way to get started working toward that goal. One needs to review the model carefully and then apply it to the existing condition of company.
