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A huge part of developing a strategic plan is a reliable, in-depth strategic analysis. An organization is separated into internal and external environments. Both components should be scrutinized to identify factors influencing organizations and guiding decision-making. In this article, we'll cover:

- Remember, insights aren't enough! Understanding your internal & external environment is vital, but true strategy comes from action. Cascade Strategy Execution Platform bridges the gap between analysis and execution. Talk to our strategy experts to turn your strategic analysis into a winning business strategy with clear goals and measurable results. Strategic analysis is the process of researching and analyzing an organization along with the business environment in which it operates to formulate an effective strategy. This process of strategy analysis usually includes defining the internal and external environments, evaluating identified data, and utilizing strategic analysis tools. By conducting strategic analysis, companies can gain valuable insights into what's working well and what areas need improvement. These valuable insights become key inputs for the strategic planning process, helping businesses make well-informed decisions to thrive and grow.
- Types Of Strategic AnalysisWhen it comes to strategic analysis, businesses employ different approaches to gain insights into the internal and external factors influencing their operations. Let's explore two key types of strategic analysis: Internal strategic analysisThe focus of internal strategic analysis is on diving deep into the organization's core. It involves a careful examination of the company's strengths, weaknesses, resources, and competencies. By conducting a thorough assessment of these aspects, businesses can pinpoint areas of competitive advantage, identify potential bottlenecks, and uncover opportunities for improvement. This introspective analysis acts as a mirror, reflecting the organization's current standing, and provides valuable insights to shape the path that will ultimately lead to achieving its mission statement.
- External strategic analysisOn the other hand, external strategic analysis zooms out to consider the broader business environment. This entails conducting market analysis, trend research, and understanding customer behaviors, regulatory changes, technological advancements, and competitive forces. By understanding these external dynamics, organizations can anticipate potential threats and uncover opportunities that can significantly impact their strategic decision-making.
- The external strategic analysis acts as a window, offering a view of the ever-changing business landscape. Benefits Of Strategic Analysis For Strategic PlanningThe analysis phase sets "the stage" for your strategic planning. The strategic analysis informs the activities you undertake in strategic formulation and allows you to make informed decisions. This phase not only sets the stage for the development of effective business planning but also plays a crucial role in accurately framing the challenges to be addressed. These are some benefits of strategic analysis for strategic planning:
- Holistic view: Gain a comprehensive understanding of internal capabilities, the external landscape, and potential opportunities and threats.
- Accurate challenge framing: Identify and define core challenges accurately, shaping the strategy development process.
- Proactive adaptation: Anticipate potential bottlenecks and areas for improvement, fostering proactive adaptability.
- Leveraging strengths: Develop strategies that maximize organizational strengths for a competitive advantage.
- Strategic Analysis Example - WalmartAt the very least, the right framing can improve your understanding of your competitors and, at its best, revolutionize an industry. For example, everybody thought that the early success of Walmart was due to Sam Walton breaking the conventional wisdom: "A full-line discount store needs a population base of at least 100,000." But that's not true. Sam Walton didn't break that rule, he redefined the idea of the "store," replacing it with that of a "network of stores." That led to reframing conventional wisdom, developing a coherent strategy, and revolutionizing an industry.[] Check out our #StrategyStory: How Walmart Became The Retailer Of The People!How To Do A Strategic Analysis: Key ComponentsWhen to do a strategic analysis?Strategy is not a linear process. Strategy is an iterative process where strategic planning and execution interact with each other constantly. First, you plan your strategy, and then you implement it and constantly monitor it. Tracking the progress of your and KPIs (key performance indicators) allows you to identify what's working and what needs to change. This feedback loop guides you to reassess and readjust your strategic plan before proceeding to implementation again. This iterative process ensures adaptability and enhances the strategy's effectiveness in achieving your goals. The strategic analysis process, the content of your strategic analysis varies, depending on the strategy level at which you're completing the strategic analysis. For example, a team involved in undertaking a strategic analysis for a corporation with multiple businesses will focus on different things compared to a team within a department of an organization. But no matter the team or organization's nature, whether it's a supply chain company aiming to enhance its operations or a marketing team at a retail company fine-tuning its marketing strategy, conducting a strategic analysis built on key components establishes a strong foundation for well-informed and effective decision-making. The key components of strategic analysis are: Define the strategy level for the analysisComplete an internal analysisComplete an external analysisUnify perspectives & communicate insightsKey components of a strategic analysis diagramDefine the strategy level for the analysisStrategy comes in different levels depending on where you are in an organization and your organization's size. You may be creating a strategy to guide the direction of an entire organization with multiple businesses, or you may be creating a strategy for your marketing team. As such, the process will differ for each level as there are different objectives and needs. The three strategy levels are: Corporate StrategyBusiness StrategyFunctional Strategy[] If you're not sure which strategy level you're completing your strategy analysis for, read this article explaining each of the strategy levels. Conduct an internal analysisAs we mentioned earlier, an internal analysis looks inwards at the organization and assesses the elements that make up the internal environment. Performing an internal analysis allows you to identify the strengths and weaknesses of your organization. Let's take a look at the steps involved in completing an internal analysis: 1. Assessment of tools to useFirst, you need to decide what tool or framework you will use to conduct the analysis. You can use many tools to assist you during an internal analysis. We delve into that a bit later in the article, but to give you an idea, for now, Gap Analysis, Strategy Evaluation, McKinsey 7S Model, and VRIO are all great analysis techniques that can be used to gain a clear picture of your internal environment. 2. Research and collect informationNow it's time to move into research. Once you've selected the tool (or tools) you will use, you will start researching and collecting data. The framework you use should give you some structure around what information and data you should look at and how to draw conclusions. 3. Analyze informationThe third step is to process the collected information. After the data research and collection stage, you'll need to start analyzing the data and information you've gathered. How will the data and information you've gathered have an impact on your business or a potential impact on your business? Looking at different scenarios will help you pull out possible impacts. 4. Communicate key findingsThe final step is sharing your conclusions. What is the value of your analysis' conclusions if nobody knows about them? You should be communicating your findings to the rest of the team involved in the analysis and go even further. Share relevant information with the rest of your people to demonstrate that you trust them and offer context to your decisions. Once the internal analysis is complete, you should have a clear idea of where your organization is excelling, where you're doing OK, and where current deficits and gaps lie. The analysis provides your leadership team with valuable insights to capitalize on strengths and opportunities effectively. It also empowers them to devise strategies that address potential threats and counteract identified weaknesses. Beginning strategy formulation after this analysis will ensure your strategic plan has been crafted to take advantage of strengths and opportunities and offset or improve weaknesses & threats. This way, the strategic management process remains focused on the identified priorities, enabling a well-informed and proactive approach to achieving your organizational goals. You can then be confident that you're funneling your resources, time, and focus effectively and efficiently. As we stated before, the other type of strategic analysis is the external analysis which looks at an organization's environment and how those environmental factors currently impact or could impact your organization. A key difference between the external and the internal factors lies in the organization's level of control. Internally, your organization wields complete control and can actively influence these factors. On the other hand, external components lie beyond the organization's direct control, and the focus is on scanning and reacting to the environment rather than influencing it. External factors of your organization include the industry the organization competes in, the political and legal landscape the organization operates in, and the communities they operate in. The steps for conducting this analysis are much the same as an internal analysis: Assessment of tools to useResearch and collect informationAnalyze informationCommunicate key findings[] You'll want to use a tool such as SWOT analysis, PESTLE analysis, or Porter's Five Forces to help you add some structure to your analysis. We'll dive into the tools in more detail further down this article!Unify perspectives & communicate insightsChances are, you didn't tackle the entire analysis alone. Different team members likely took responsibility for specific parts, such as the internal gap analysis or external environmental scan. Each member contributed valuable insights, forming a mosaic of information. To ensure a comprehensive understanding, gather feedback from all team members involved. Collate all the data and share the complete picture with relevant stakeholders across your organization. Much like strategy, this information is useless if not shared with everyone. Remember: There is no such thing as overcommunication. If you have to keep only one rule of communication, it's that one. Acting on the insights and discoveries distilled from the analysis is what gives them value. Communicating those findings with your employees and all relevant (internal and external) stakeholders enables acting on them. Setting up a central location where everyone can access the data should be your first step, but it shouldn't end there. Organize a meeting to go through all the key findings and ensure everyone is on the same page regarding the organization's environment. Strategic Analysis ToolsThere are a number of strategic analysis tools at your disposal. We'll show you 8 of the best strategic analysis tools out there. Examples of strategic analysis frameworks and tools you can useThe 8 best strategic analysis tools: Note: Analytical tools rely on historical data and prior situations to infer future assumptions. With this in mind, caution should always be used when making assumptions based on your strategic analysis findings. Gap AnalysisGap Analysis diagramThe Gap Analysis is a great internal analysis tool that helps you identify the gaps in your organization, impeding your progress towards your objectives and vision. The analysis gives you a process for comparing your organization's current state to its desired future state to draw out the current gaps, which you can then create a series of actions that will bridge the identified gap. The gap analysis approach to strategic planning is one of the best ways to start thinking about your goals in a structured and meaningful way and focuses on improving a specific process. Grab your free Gap Analysis template to streamline the process!Download your free Gap Analysis template in Excel formatVRIO analysis diagramThe VRIO Analysis is an internal analysis tool for evaluating your resources. It identifies organizational resources that may potentially create sustainable competitive advantages for the organization. This analysis framework gives you a process for categorizing the resources in your organization based on whether they hold certain traits: Valuable, Rare, Inimitable, and Organized. The framework then encourages you to begin thinking about moving those resources to the "next step" to ultimately develop those resources into competitive advantages. Grab your free VRIO Strategy template that will help you to develop and execute a strategy based on your VRIO analysis. Four Corners AnalysisFour Corners Analysis diagramThe Four Corners Analysis framework is another internal analysis tool that focuses on your organization's core competencies. However, what differentiates this tool from the others is its long-term focus. To clarify, most of the other tools evaluate the current state of an entity, but the Four Corners Analysis assesses the company's future strategy, which is more precise because it makes the corporation one step ahead of its competitors. By using the Four Corners, you will know your competitors' motivation and their current strategies powered by their capabilities. This analysis will aid you in formulating the company's trend or predictive course of action. Value Chain AnalysisValue Chain Analysis diagramSimilar to VRIO, the Value Chain Analysis is a great tool to identify and help establish a competitive advantage for your organization. The Value Chain framework achieves this by examining the range of activities in the business to understand the value each brings to the final product or service. The concept of this strategy tool is that each activity should directly or indirectly add value to the final product or service. If you are operating efficiently, you should be able to charge more than the total cost of adding that value. SWOTSWOT Analysis diagramA SWOT analysis is a simple yet ridiculously effective way of conducting a strategic analysis. It covers both the internal and external perspectives of a business. When using SWOT analysis, one thing to keep in mind is the importance of using specific and verifiable statements. Otherwise, you won't be able to use that information to inform strategic decisions. Grab your free SWOT Analysis template to streamline the process!Access your free SWOT Analysis Template in Excel format!Strategy EvaluationGenerally, every company will have a previous strategy that needs to be taken into consideration during a strategic analysis. Unless you're a brand new start-up, there will be some form of strategy in the company, whether explicit or implicit. This is where a strategy evaluation comes into play. The previous strategy shouldn't be disregarded or abandoned, even if you feel like it wasn't the right direction or course of action. Analyzing why a certain direction or course of action was decided upon will inform your choice of direction. A Strategic Evaluation looks into the strategy previously or currently implemented throughout the organization and identifies what went well, what didn't go so well, what should not have been there, and what could be improved upon. To learn more about this analysis technique, read our detailed guide on how to conduct a comprehensive Strategy Evaluation. Porter's Five ForcesPorter's Five Forces diagramCompleting an internal analysis should always be an analysis of the external environment, and Porter's Five Forces is a great tool to help you achieve this. Porter's Five Forces framework performs an external scan and helps you get a picture of the current market your organization is playing in by answering questions such as: Why does my industry look the way it does today? What forces beyond competition shape my industry? How can I find a position among my competitors that ensures my profitability? What strategies can I implement to make this position challenging for them to replicate? With the answer to the above questions, you'll be able to start drafting a strategy to ensure your organization can find a profitable position in the industry. Grab your free Porter's 5 Forces template to implement this framework!Download your free Porter's Five Forces Template in PDF format!PESTLE AnalysisPESTLE Analysis diagramWe might sound repetitive, but external analysis tools are critical to your strategic analysis. The environment your organization operates in will heavily impact your organization's success. PESTLE analysis is one of the best external analysis tools you can use due to its broad nature. The name PESTLE is an acronym for the elements that make up the framework: Political, Economic, Social, Technological, Legal, Environmental. Basically, the premise of the analysis is to scan each of the elements above to understand the current status and how they can potentially impact your industry and, thus, your organization. PESTLE analysis gives you extra focus on certain elements that may have a wide-ranging impact, and a birds-eye view of the macro-environmental factors. How To Choose The Right Strategy Analysis ToolsThere are as many ways to do strategy as there are organizations. So not every tool is appropriate for every organization. These 8 tools are our top picks for giving you a helping hand through your strategic analysis. They're by no means the whole spectrum. There are many other frameworks and tools out there that could be useful and provide value to your process. Choose the tools that fit best with your approach to doing strategy. Don't limit yourself to one tool if it doesn't make sense, don't be afraid to combine them, mix and match! And, be faithful to each framework but always as long as it fits your organization's needs. The Next Step: From Analysis To Action With Cascade Completing the strategic analysis phase is a crucial milestone, but it's only the beginning of a successful journey. Now comes the vital task of crafting your strategic plan and ensuring its effective execution. This is where comes into play, offering a powerful solution to drive your strategy forward. Cascade is your ultimate partner in strategy execution. With its user-friendly interface and robust features, it empowers you to translate the strategic insights distilled from your strategic analysis into actionable plans. Some key features include: Planner: Seamlessly build out your objectives, initiatives, and key performance indicators (KPIs) while aligning them with the organization's goals. Break down the complexity from high-level initiative to executable actions. Alignment Map: Visualize how different organizational plans work together and how your corporate strategy breaks down into operational and functional plans. Example of Alignment Map view in Cascade. Metrics & Measures: Connect your business data directly to your core initiatives in Cascade for clear data-driven alignment. Example of Metrics Library in Cascade. Integrations: Consolidate your business systems underneath a unified roof. Import context in real-time by leveraging Cascade's native, third-party connector (Zapier/PA), and custom integrations. Dashboards & Reports: Stay informed about your strategy's performance at every stage with Cascade's real-time tracking and progress monitoring, and share it with your stakeholders, suppliers, and contractors. Experience the power of Cascade today! Sign up today for a free forever plan book a guided 1:1 tour with one of our Cascade in-house strategy execution experts. In this post, you will learn: Key Frameworks in Business Strategy Evaluating External and Internal Environments Strategic Analysis Using the PESTEL Framework Applying SWOT to Business Objectives An Introduction to the TOWS Matrix Delivering successful projects enables organizations to reach their strategic goals quickly with enhanced long-term commercial results. Connecting projects to organizational strategy can improve projects in several areas, including: Preparation of business cases Request management Planning and resource allocation Risk management Budget control Collaboration This article introduces tools and frameworks like PESTEL and SWOT/TOWS to guide you in the analysis of your organization's business strategy. Before starting an analysis of business strategy, it's important to define the term "strategy". Johnson & Scholes (2005) define strategy as "the direction and scope of an organization over the long term." Similarly, Porter (1995) describes it as "a process of analysis which is designed to achieve the competitive advantage of an organization over another in the long term." Both definitions stress the "long-term" approach that could determine the fate of your company over the next five to ten years. Key Frameworks in Business Strategy Robbins and DeCenzo (2013) emphasize the importance of organizational strategy and detail a nine-step framework that involves strategic planning, implementation, and evaluation. The first seven steps involve strategic planning, while the last two focus on the execution and evaluation of the business strategy and analysis. A merging of the external environment (steps 2 & 3) with the internal environment (steps 4 & 5) will result in an assessment of the organization's opportunities and is often referred to as a SWOT analysis. In order to fully evaluate your company's strategy, focus on analyzing the external environment. This includes: The conditions Entities Events Factors that influence the organization's activities and decisions. A structured project portfolio can help organizations assess which projects to pursue based on their alignment with company strategy. Various frameworks and models are available to examine a company's external environment, including competitor analysis and market research. Galavan (2004) highlights that strategy evolves constantly, describing it as "a living process, not just a set of well-defined tools." A PESTEL analysis helps organizations to analyze and monitor the macro-environmental factors that have an impact on the company. The analysis identifies threats and weaknesses, which can be employed further in a SWOT analysis. Organizations can also use business intelligence projects to gather and analyze relevant data, improving the accuracy of their PESTEL assessments. The PESTEL Framework categorizes the environmental factors into six key environmental types, as illustrated in Figure 2. To apply PESTEL effectively, relevant factors that would impact the organization must be identified. It is also essential to consider future factors that will be important in the near term. SWOT (Strengths, Weaknesses, Opportunities, and Threats) is a structured planning method that evaluates those four elements. It helps organizations identify internal and external factors that affect the success of a business venture or project. Applying SWOT to Business Objectives The goal of SWOT is to help an organization optimize its strengths, circumvent weaknesses, capitalize on opportunities, and manage threats. Effectively working with a project sponsor during this process ensures that the value proposition of each project aligns with the company's overall goals. The successful implementation of SWOT does not depend on whether an organization should use it but rather on how you should use it. Watkins (2007) argues that many organizations focus on their internal factors (Strengths and Weaknesses) and not enough on the external factors (Opportunities and Threats), resulting in a flawed analysis. He suggests starting with Opportunities and Threats for a more balanced analysis. The TOWS Matrix, introduced by Heinz Wehrich (1982), complements SWOT by transforming analysis into actionable strategies. It matches external opportunities and threats with internal strengths and weaknesses. The next step of analysis after SWOT is associated with the externally-focused TOWS Matrix and helps organizations contemplate the options that could be pursued. To do this, you match external opportunities and threats with your internal strengths and weaknesses, as illustrated in the matrix in Figure 4. Galavan (2004) refers to this as "strategy from the inside-out," where strengths build on competencies to exploit opportunities. Standardize your project management processes with Microsoft 365 Watch a demo of BrightWork 365 project and portfolio management templates for Microsoft 365, Power Platform, and Teams. Strategic analysis examines a company's internal and external environments to develop actionable strategies. Using frameworks like SWOT and PESTLE, it identifies strengths, weaknesses, opportunities, and threats, helping businesses navigate market complexities and align goals with operations and long-term plans. In today's competitive landscape, industries utilize a variety of strategic analysis tools to sharpen their competitive edge. These tools not only simplify the analysis process but also provide valuable insights into market trends, consumer behavior, and competitor strategies. By leveraging analytical methods, businesses can craft coherent action plans that align with their corporate vision and drive growth. As organizations work to secure and sustain competitive advantages, strategic analysis becomes essential. Understanding competitive analysis is crucial for evaluating market dynamics and identifying new business opportunities. It provides stakeholders with clear, data-driven insights that guide strategic initiatives and foster proactive decision-making. By embedding these methods into everyday operations, businesses can stay ahead in an ever-evolving market, ensuring they are well-positioned to capitalize on opportunities and respond to challenges effectively. Easy 7 Step Guide to Conducting a Strategic Analysis Strategic analysis is vital for organizations to assess both internal and external factors, enabling informed decision-making and the development of effective business strategies. By thoroughly examining key components like objectives, resources, capabilities, market trends, and competition, businesses can craft comprehensive strategies that align with long-term goals and adapt to changing market conditions. This process helps identify strengths, weaknesses, opportunities, and threats (SWOT), ensuring the strategy remains dynamic and relevant. 1. Define Strategic Objectives Start by aligning the company's goals with its mission and vision. Clear, actionable objectives help focus the strategy and ensure it is measurable. Frameworks such as SMART Goals and the Balanced Scorecard are useful tools for setting precise objectives. Smart Goal Template for Strategic Analysis2. Conduct Internal Analysis Assess the organization's internal environment by evaluating resources, capabilities, strengths, and weaknesses. This critical step uncovers areas of excellence and areas for improvement. Tools like SWOT Analysis, the VRIO Analysis Framework, and the McKinsey 7S Model assist in conducting a comprehensive internal assessment. VRIO Analysis for Strategic Analysis3. Conduct External Analysis Evaluate the external environment to identify market trends, competitive dynamics, regulatory changes, and potential threats. Understanding these external forces allows businesses to pinpoint opportunities and risks. Common tools include PESTLE Analysis and Porter's Five Forces, which offer insights into the broader business environment. Simple Analysis PESTLE Template for Strategic Analysis4. Interpret Data & Insights Once both internal and external data are collected, the next step is to analyze the information for patterns, opportunities, and challenges. Leveraging data analytics and business intelligence software can help extract actionable insights that inform the strategy development process. 5. Develop a Strategic Plan Use the insights gained from internal and external analyses to develop a comprehensive strategic plan. The plan should align with the organization's objectives while being flexible enough to adapt to changing conditions. Tools like Gantt Charts, Strategic Roadmaps, and Cascade Strategy Execution Software are useful for organizing, executing, and tracking the strategy's implementation. Strategy Map Template for Strategic Analysis The following table outlines key steps in strategic analysis and implementation, providing a roadmap for organizations to develop and execute effective strategies. It highlights tools and methods for assessing internal and external environments, setting clear objectives, and tracking performance. By using these strategies, businesses can align their goals with their vision, adapt to market changes, and foster continuous improvement to ensure long-term success. Step Description Tools & Methods Define Objectives Set clear, strategic objectives that align with business vision and values. This provides a measurable foundation for the strategy. Balanced Scorecard, SMART Goals, Vision and Mission Statements Conduct Internal Analysis Evaluate internal capabilities, resources, and performance to identify strengths and weaknesses. Use insights to improve current strategies. SWOT Analysis, VRIO Framework, McKinsey 7S Model, Resource Audits Conduct External Analysis Assess the external environment to uncover market trends, opportunities, threats, and regulatory changes. PESTLE Analysis, Porter's Five Forces, Market Research Reports, Competitor Benchmarking Benchmarking Compare internal performance with industry leaders or best practices to identify areas for improvement. Industry Benchmarks, Competitor Analysis Tools Interpret Data Leverage data analytics to derive insights, helping to guide decision-making and align with strategic objectives. Data Analytics, Business Intelligence Software, Predictive Analytics Develop and Implement Strategy Create a detailed strategy based on the analysis insights. Ensure flexibility and scalability to adapt to changes in the market. Cascade Strategy Execution Software, Gantt Charts, Strategic Roadmaps Allocate Resources Ensure the right resources (people, budget, time, tools) are aligned with strategic priorities to maximize efficiency. Resource Management Software, Budget Allocation Tools Communicate the Strategy Effectively Communicate the strategy across all levels of the organization to ensure alignment and engagement. Internal Communication Platforms, Strategy Workshops, Executive Briefings Set Key Performance Indicators (KPIs) Establish measurable KPIs that reflect the success of the strategy and its alignment with objectives. KPIs, Dashboards, Performance Metrics Monitor and Adjust Continuously Track performance against objectives and be prepared to adjust strategies and tactics in response to environmental changes. Performance Dashboards, Continuous Feedback Loops, Quarterly Reviews Risk Management Proactively identify, assess, and mitigate risks that may hinder the successful execution of the strategy. Risk Assessment Matrix, Contingency Plans, Risk Mitigation Frameworks Foster Innovation Encourage innovation to adapt and stay competitive in the market by nurturing a culture of continuous improvement. Innovation Workshops, R&D Investment, Crowdsourcing Ideas Evaluate and Refine Strategy Regularly assess the effectiveness of the strategy. Refine and improve based on results, feedback, and evolving conditions. SWOT Analysis, Strategic Review Meetings, Continuous Improvement Frameworks Develop Leadership and Talent Focus on leadership development and talent management to ensure the organization has the right capabilities to execute the strategy. Leadership Development Programs, Succession Planning, Employee Engagement Surveys By following this structured approach to strategic analysis, organizations can ensure a comprehensive evaluation of both internal and external factors. This leads to well-informed, aligned, and adaptable business strategies that drive long-term success. Levels of Strategic Analysis Levels of strategic analysis are essential for businesses to evaluate their strategic positioning and make informed decisions at different organizational tiers. These levels typically include: Corporate-Level Strategy Focuses on the overall direction of the organization. Involves decisions related to diversification, mergers and acquisitions, entering new markets, and managing a portfolio of businesses. Business-Level Strategy Centers on how a company competes in a particular market or industry. Involves decisions about product differentiation, cost leadership, and market positioning to gain a competitive edge within specific segments. Functional-Level Strategy Focuses on the day-to-day operations and specific activities that support higher-level strategies. Involves departments like marketing, finance, HR, and operations, ensuring that each function effectively supports the business and corporate strategies. Each level of strategic analysis is crucial for ensuring that the organization's actions at all tiers align with its overarching goals, contributing to sustainable success and growth. Internal vs. External Strategic Analysis Strategic analysis is a vital process for shaping business strategies by examining both internal and external factors. Understanding the interplay between internal and external analysis is crucial for making informed and dynamic decisions. 1. Internal Analysis Internal analysis focuses on evaluating a company's strengths and weaknesses. This includes assessing key resources like proprietary technology, unique skills, and efficient processes. Tools such as the McKinsey 7S Model and VRIO Framework help businesses analyze their capabilities and resources. By identifying areas of strength and areas needing improvement, companies can maximize their competitive edge and optimize their existing assets. McKinsey 7S Model for Strategic Analysis2. External Analysis External analysis examines the macro environmental factors outside the organization, such as market trends, competition, regulations, and socio-economic shifts. Using tools like PESTLE (Political, Economic, Social, Technological, Legal, Environmental) and Porter's Five Forces, businesses can identify opportunities and threats in the external environment. This analysis helps organizations adjust their strategies to align with evolving market conditions, ensuring long-term success and sustainability. Porter's Five Forces Template for Strategic Analysis Both internal and external analyses must align with business objectives to develop strategies that are realistic and effective. Using frameworks like Creately ensures a well-rounded approach to mapping complex tactical scenarios. Here's a table summarizing Internal vs. External Strategic Analysis: Aspect Internal Strategic Analysis External Strategic Analysis Focus Examines internal strengths and weaknesses of the organization. Examines external factors like market trends, competition, and socio-economic shifts. Purpose To assess internal capabilities, resources, and processes. To identify opportunities and threats in the external environment. Key Components Organizational structure, resources, capabilities, and operational efficiency. Market trends, competitive dynamics, regulatory changes, and customer behavior. Tools Used McKinsey 7S Model, VRIO Framework, Internal Audits. PESTLE Analysis, Porter's Five Forces, Market Research. Key Insights Identifies areas of strength to capitalize on and weaknesses to address. Identifies opportunities to exploit and threats to mitigate. Impact on Strategy Helps shape strategies based on internal strengths and resources. Influences strategies to align with market opportunities and external pressures. Examples Leveraging proprietary technology, improving processes, optimizing resources. Understanding competitor dynamics, market growth potential, regulatory changes. By conducting thorough internal and external analyses, businesses can align their capabilities with market opportunities, forming robust strategies for sustainable growth. This data-driven approach promotes continuous learning and adaptability, which are essential for success in today's dynamic business environment. Strategic analysis plays a crucial role in guiding organizations towards informed decision making and competitive advantage. A multitude of tools have been developed to streamline this process, enabling clarity and efficiency in strategy formulation. SWOT Analysis: SWOT Analysis tool helps businesses identify internal strengths and weaknesses while recognizing external opportunities and threats. By providing a clear framework, SWOT assists businesses in aligning their resources to best leverage strengths and mitigate weaknesses. SWOT Analysis Template for Strategic Analysis PESTLE Analysis: This tool evaluates the broader macro environmental analysis factors that can influence strategic decisions. By analyzing political, economic, social, technological, legal, and environmental aspects, businesses can anticipate market trends and prepare proactive strategies. PESTLE Analysis Template for Strategic Analysis Porter's Five Forces: Porter's Five Forces Model framework helps organizations understand the competitive forces at play within their industry. By analyzing the threat of new entrants, the power of suppliers and buyers, and the threat of substitute products or services, companies can develop robust strategies to maintain a competitive edge. Porter's Five Forces for Strategic Analysis Value Chain Analysis: Value Chain Model focuses on the value-add at each stage of the business process and can help businesses identify areas for performance improvement or cost reduction. Value Chain Model for Strategic Analysis A structured strategic analysis process aligns business activities with goals and helps companies address market dynamics. Balanced Scorecard, SWOT, PESTLE, and performance dashboards tools enhance effectiveness. Platforms like Creately support visual strategy mapping, enabling clear communication and adjustments to strategic plans. Read more on What is a strategy map? to understand strategy mapping. Benefits of Strategic Analysis Strategic analysis offers several key benefits, including identifying opportunities, managing risks, and optimizing resources. It supports informed decision-making, aligns with organizational strategic goals, and helps businesses adapt to market changes. By providing insights into both internal and external factors, strategic analysis ensures long-term success and enhances competitiveness. Informed Decision-Making: Strategic analysis provides businesses with data-driven insights, enabling leaders to make informed decisions based on a clear understanding of both internal and external factors. Improved Competitive Advantage: By identifying strengths and opportunities, strategic analysis helps organizations capitalize on their unique resources and stay ahead of competitors. Risk Mitigation: Analyzing external threats and weaknesses allows businesses to anticipate potential risks and develop strategies to mitigate them, ensuring long-term stability. Alignment with Market Trends: External analysis helps companies stay aligned with changing market conditions, customer preferences, and regulatory changes, enabling them to adapt quickly. Resource Optimization: Internal analysis highlights areas where resources can be better utilized, leading to increased operational efficiency and cost savings. Long-Term Planning: Strategic analysis ensures that business strategies are not only relevant today but also scalable and adaptable for future growth, guiding long-term success. Increased Organizational Focus: By defining clear objectives and aligning the entire organization around a unified strategy, strategic analysis enhances focus and drives execution towards shared goals. Enhanced Innovation: By identifying gaps and opportunities in both internal operations and the external environment, strategic analysis fosters creativity and innovation within the organization. In summary, strategic analysis provides a comprehensive understanding of a company's position, allowing it to make proactive decisions that drive growth, optimize resources, mitigate risks, and adapt to changing market dynamics. Utilizing Creately for Conducting a Strategic Analysis Creately is an effective platform for visualizing and executing strategic analysis, providing organizations with tools to streamline the process. Here's how you can leverage Creately for each aspect of strategic analysis: Mapping Internal & External Factors Use Creately's SWOT Analysis template to map strengths, weaknesses, opportunities, and threats, making it easier to visualize and discuss key insights with your team. PESTLE Analysis templates can be used to assess external factors like political, economic, social, technological, legal, and environmental influences. SWOT Analysis Template for Strategic Analysis PESTEL Analysis Template for Strategic Analysis Strategy Mapping Utilize Creately's strategy map templates to align business objectives with strategic initiatives. This helps visualize how goals and processes interconnect and ensures alignment across the organization. Collaboration & Real-Time Feedback Creately allows real-time collaboration, enabling teams to work together and share insights instantly. Comments and annotations make it easy for stakeholders to provide feedback and contribute to the analysis. Data Visualization With Creately's visual tools, you can turn complex data into easy-to-understand diagrams, flowcharts, and mind maps, helping to identify trends, gaps, and areas for improvement quickly. Competitive Analysis Use Strategic Group Map tool to map competitors and assess market positioning, identifying opportunities for differentiation or areas to gain a competitive advantage. Competitive Analysis Template for Strategic Analysis Tracking Progress & Adjustments Creately can be used to create performance dashboards, track KPIs, and adjust strategies as needed. It helps ensure that the analysis is continuously aligned with business goals and evolving market conditions. By integrating Creately into your strategic analysis process, organizations can enhance their strategic planning, improve team collaboration, and develop actionable, data-driven insights that guide long-term success. Conclusion In conclusion, strategic analysis is a vital process that empowers organizations to navigate complex market landscapes, optimize internal resources, and make informed decisions that drive long-term success. By leveraging proven frameworks like SWOT and PESTLE, businesses can uncover opportunities, mitigate risks, and align their strategies with both current and future goals. Integrating strategic analysis into day-to-day operations fosters adaptability, innovation, and a proactive approach to challenges, ensuring sustained competitiveness. Ultimately, strategic analysis is not a one-time activity but a continuous practice that lays the foundation for organizational growth and resilience in an ever-evolving business world. Resources PESTLE Analysis, 2020. PESTLE Analysis: A Tool for Strategic Management. [Online] Available at: G., Scholes, K. and Whittington, R., 2008. Exploring Corporate Strategy: Text and Cases. 8th ed. Harlow: Pearson Education. [Online] Available at: M.E., 1980. Competitive Strategy: Techniques for Analyzing Industries and Competitors. New York: Free Press. [Online] Available at: ♦♦ Strategic analysis is the comprehensive process of gathering and analyzing data about a business's internal and external environment to create effective strategies. This helps in decision-making, aligning strategies with business objectives, and staying competitive. Strategic analysis is crucial as it identifies an organization's strengths, weaknesses, opportunities, and threats (SWOT), enabling data-driven decisions that drive growth, enhance market position, and achieve long-term objectives. Popular uses cases in strategic analysis include SWOT Analysis, PESTLE Analysis, and Porter's Five Forces. These tools help businesses understand the competitive landscape, assess internal capabilities, and anticipate market dynamics. By identifying key trends and data points, strategic analysis helps in making long-term strategic decisions. It guides enterprises in setting achievable goals, optimizing resources, and adapting to changes in the marketplace, thus ensuring sustainable growth. Market research is integral to strategic analysis. It provides insights into market conditions, customer behavior, and competitive dynamics, forming a foundation for informed strategic planning and execution. Strategic analysis can be categorized into internal, focusing on organizational strengths and weaknesses, and external, emphasizing market opportunities and competitive threats. The integration of both aspects helps align the organization's operations with strategic objectives. The process of conducting research on a company and its operating environment to formulate a strategy Over 2 million+ professionals use CFI to learn accounting, financial analysis, modeling and more. Unlock the essentials of corporate finance with our free resources and get an exclusive sneak peek at the first module of each course. Start Free 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: Identifying and evaluating data relevant to the company's strategy Defining the internal and external environments to be analyzed Using several analytic methods such as Porter's five forces analysis, SWOT analysis, and value chain analysis What is Strategy? A strategy is a plan of actions taken by managers to achieve the company's overall goal and other subsidiary goals. It often determines the success of a company. In strategy, a company is essentially asking itself, "Where do you want to play and how are you going to win?" The following guide gives a high-level overview of business strategy, its implementation, and the processes that lead to business success. Vision, Mission, and Values To develop a business strategy, a company needs a very well-defined understanding of what it is and what it represents. Strategists need to look at the following: Vision - What it wants to achieve in the future (5-10 years) Mission Statement - What business a company is in and how it rallies people Values - The fundamental beliefs of an organization reflecting its commitments and ethics After gaining a deep understanding of the company's vision, mission, and values, strategists can help the business undergo a strategic analysis. The purpose of a strategic analysis is to analyze an organization's external and internal environment, assess current strategies, and generate and evaluate the most successful strategic alternatives. Strategic Analysis Process The following infographic 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 environmental 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 a 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. Levels of Strategy Strategic plans involve three levels in terms of scope: 1. Corporate-level (Portfolio) At the highest level, corporate strategy involves high-level strategic decisions that will help a company sustain a competitive advantage and remain profitable in the foreseeable future. Corporate-level decisions are all-encompassing of a company. 2. Business-level At the median level of strategy are business-level decisions. The business-level strategy focuses on market position to help the company gain a competitive advantage in its own industry or other industries. 3. Functional-level At the lowest level are functional-level decisions. They focus on activities within and between different functions, aimed at improving the efficiency of the overall business. These strategies are focused on particular functions and groups. Related Readings Thank you for reading CFI's guide to Strategic Analysis. To keep learning and advancing your career, the following CFI resources will be helpful: