Corporate Portfolio Analysis, Features, Tools, Challenges

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Corporate Portfolio Analysis is a strategic tool used by organizations to evaluate and manage their diverse business units or product lines. The primary aim is to assess each unit's performance, market potential, and strategic alignment with the overall corporate goals. It helps top management allocate resources effectively, identify growth opportunities, and decide which businesses to expand, maintain, harvest, or divest. Common models used include the BCG Matrix, GE-McKinsey Matrix, and Ansoff Matrix. By analyzing the strengths, weaknesses, and market dynamics of each unit, corporate portfolio analysis ensures a balanced and profitable mix of businesses that support long-term sustainability and competitiveness.

> **Features of Corporate Portfolio Analysis:**

Strategic Decision-Making Tool

Corporate Portfolio Analysis serves as a powerful strategic decision-making tool. It helps top-level management assess the current position and future prospects of each business unit within the organization. By categorizing units based on performance indicators such as market share, growth rate, and profitability, it allows decision-makers to allocate resources effectively. The process enables the identification of strategic options such as expansion, diversification, or divestment. In essence, this feature helps companies evaluate risk and return trade-offs and decide where to invest for growth and where to cut losses, thus driving long-term organizational success.

Resource Allocation Optimization

A key feature of corporate portfolio analysis is its ability to optimize resource allocation across different business units. Organizations often operate multiple divisions or product lines that compete for limited resources like capital, manpower, and management attention. Portfolio analysis ensures that resources are directed to the most promising units—those with high market potential and strong competitive positions. Less profitable or declining units may be harvested or divested. By aligning resource allocation with strategic priorities, companies can maximize returns, improve efficiency, and sustain competitive advantage, making this feature central to successful strategy execution.

Risk Diversification and Balance

Corporate Portfolio Analysis emphasizes balancing risk across the business portfolio. Just as investors diversify financial assets to minimize risk, companies diversify their business operations. The portfolio approach encourages investment in a mix of high-risk/high-reward and low-risk/stable-return businesses. This risk balancing helps buffer the organization from volatility in any one sector or market. It ensures that while some units

may experience downturns, others can compensate with growth. This feature supports sustainability, financial stability, and agility in navigating uncertain market conditions by creating a well-rounded, strategically diversified business portfolio.

Evaluation Based on Quantitative and Qualitative Metrics

Corporate Portfolio Analysis incorporates both quantitative and qualitative metrics for a holistic evaluation of business units. Quantitative data may include revenue growth, return on investment, profit margins, and market share, while qualitative factors might involve brand strength, managerial capabilities, innovation potential, and customer loyalty. This comprehensive assessment helps provide a realistic picture of each unit's strategic position. By combining hard numbers with soft insights, the analysis becomes more accurate and meaningful, guiding better decisions. This feature ensures that businesses are not judged solely by financial performance but also by their strategic value and future potential.

Visual Representation and Simplicity

Another important feature of corporate portfolio analysis is its use of visual models for clarity and simplicity. Tools like the BCG Matrix or GE-McKinsey Matrix present complex business data in easy-to-understand formats, using grids or charts that categorize business units by key strategic dimensions. These visual tools enable quicker comprehension of business dynamics and facilitate communication among stakeholders. They help executives visualize strategic priorities, investment needs, and areas of concern. This feature makes portfolio analysis accessible, actionable, and effective for strategic planning and performance monitoring across varied levels of management.

Facilitates Strategic Fit and Synergy

Corporate Portfolio Analysis also focuses on ensuring strategic fit and synergy among business units. It assesses how well each unit aligns with the organization's overall vision, mission, and capabilities. Business units that complement each other in terms of operations, technology, markets, or customer base offer potential for synergy. This can lead to cost savings, increased revenue, and a stronger competitive edge. By identifying such synergies, corporate portfolio analysis supports integration, coordination, and unified growth. This feature is particularly valuable in mergers, acquisitions, and diversification strategies, where alignment across units is key to maximizing strategic benefits.

> **Tools of Corporate Portfolio Analysis:**

1. BCG Growth-Share Matrix

Boston Consulting Group (BCG) Matrix is one of the most popular tools for portfolio analysis. It classifies business units or products into four categories based on **market growth rate** and **relative market share**:

- **Stars**: High growth, high market share. Require heavy investment but generate strong returns.
- **Cash Cows**: Low growth, high market share. Generate steady cash flow and fund other units.
- **Question Marks**: High growth, low market share. Require decision-making about whether to invest or divest.
- **Dogs**: Low growth, low market share. Often considered for divestment.

This tool helps companies decide which units to build, hold, harvest, or divest.

2. GE/McKinsey Nine-Box Matrix

Developed by **General Electric** and **McKinsey & Company**, this matrix evaluates business units using two dimensions: **industry attractiveness** and **business unit strength**. It consists of a 3×3 grid:

- Business units are plotted into nine cells based on scores for the two criteria.
- The cells are color-coded into three zones: **invest/grow**, **selectively invest**, and **harvest/divest**.

This model is more comprehensive than the BCG matrix because it considers multiple factors, such as competitive position, market size, profitability, and technical know-how, making it ideal for complex, diversified firms.

3. Ansoff Matrix

Ansoff Product-Market Growth Matrix helps businesses plan strategies for growth by analyzing existing and new markets against existing and new products. The four strategic options are:

- **Market Penetration**: Selling more of existing products to current markets.
- **Market Development**: Entering new markets with existing products.
- **Product Development**: Introducing new products to existing markets.
- **Diversification**: Introducing new products to new markets.

The Ansoff Matrix guides strategic choices and resource allocation by identifying the level of risk and potential associated with each option.

4. SWOT Analysis

SWOT stands for **Strengths, Weaknesses, Opportunities, and Threats**. It provides an internal and external view of each business unit:

- **Strengths and weaknesses** are internal (resources, capabilities, etc.).
- **Opportunities and threats** are external (market trends, competition, etc.).

Though not a matrix-based visual tool like BCG or GE, SWOT is valuable for understanding a unit's current condition and future prospects, and it supports other matrix models by offering a deeper strategic understanding.

5. Value Chain Analysis

Introduced by Michael Porter, **Value Chain Analysis** breaks down a company's operations into primary and support activities to evaluate where value is created. This tool helps determine how each unit contributes to the organization's competitive advantage. It's useful in identifying cost drivers, differentiators, and synergy opportunities across business units.

6. Strategic Business Unit (SBU) Classification

This tool involves classifying divisions as **Strategic Business Units** based on similarities in products, markets, and functions. SBUs are analyzed individually using the above tools (e.g., BCG or GE Matrix), enabling tailored strategies for each unit. This approach helps large diversified firms manage complexity more effectively.

> **Challenges of Corporate Portfolio Analysis:**

Complexity in Data Collection and Accuracy

Corporate Portfolio Analysis requires accurate, comprehensive, and up-to-date data related to each business unit's performance, market dynamics, and competitive position. Gathering this data can be complex, especially in large diversified firms with multiple divisions across regions and industries. Inaccurate or outdated information can lead to flawed analysis, resulting in poor strategic decisions. Further, qualitative data such as customer satisfaction or brand perception is difficult to measure objectively. This challenge demands strong information systems, continuous market intelligence, and unbiased evaluation techniques—without which, portfolio analysis loses its effectiveness and can mislead decision-makers.

Subjectivity in Evaluation

Although portfolio tools often rely on quantifiable metrics, there is a significant level of subjectivity involved in evaluating parameters such as business unit strength or industry attractiveness. Different managers may interpret criteria differently, leading to inconsistencies in evaluation. For example, while one team may rank market attractiveness based on growth rate, another may focus on profitability or technological potential. This subjectivity can cause strategic misalignment and internal conflicts. Over-reliance on individual judgment rather than standardized, transparent metrics may compromise the objectivity and credibility of the corporate portfolio analysis process.

Static Nature of Models

Most corporate portfolio analysis models—like the BCG or GE-McKinsey Matrix—present a snapshot in time. They do not account for dynamic changes in market conditions, competitor moves, or technological disruption. In a rapidly changing business environment, a unit categorized as a “Cash Cow” today might become a “Dog” tomorrow due to innovation or shifting customer preferences. This static nature makes portfolio analysis prone to becoming outdated quickly unless continually updated. Strategic decisions based on such fixed frameworks may result in misallocation of resources and lost opportunities, making agility and review cycles essential.

Over-Simplification of Strategic Reality

Many portfolio analysis tools, especially matrix-based ones, oversimplify complex business scenarios by reducing them to a few variables like market share or growth rate. Real-world business environments involve numerous interdependent factors—regulatory risks, cultural elements, supply chain dynamics, and stakeholder expectations—that are often ignored. This over-simplification may lead to strategic decisions that do not consider critical nuances. While these tools are useful for visual representation and decision support, relying solely on them can result in superficial analysis and poor strategic outcomes, especially for businesses operating in volatile or multi-layered industries.

Misleading Categorization and Labeling

Labeling a business unit as a “Dog” or “Question Mark” may lead to premature divestment or neglect, even when such units have potential for revival or strategic importance. Some businesses might serve as gateways to important markets, contribute to brand recognition, or provide strategic synergy with other units. Portfolio analysis tools often fail to capture such indirect or long-term value. This risk of misleading categorization can result in undervaluing strategically important units or ignoring their interdependencies, ultimately damaging overall corporate performance and long-term strategic goals.

Resistance to Change and Implementation

Implementing portfolio decisions such as divestment, investment, or restructuring often faces internal resistance from stakeholders. Managers may be emotionally or politically attached to certain business units or fear losing authority, budgets, or positions. Resistance can also come from employees, unions, or even customers who may feel negatively impacted by strategic changes. This human element poses a significant challenge in translating analytical insights into actionable outcomes. Successful corporate portfolio analysis requires not just rational evaluation, but also effective change management strategies, clear communication, and stakeholder alignment to ensure smooth implementation.

Identifying Competitors

07/08/2020

Competitive research is the backbone of a strong marketing strategy. After all, if you can't identify your competitors and their marketing tactics, you'll struggle to differentiate yourself and your product from the crowd.

But how do marketers identify their primary competitors and their strategies? Here is our five-step strategy for how to identify your competitors, research your competition, and channel it into powerful marketing that meets your customers needs.

Finding your competitors doesn't have to be taxing or complicated. The first step to finding your competitors is to differentiate between your direct and indirect competition.

Direct Competition

Direct competition is a term that refers to the companies or publishers who sell or market the same products as your business. Your customers will often evaluate both you and your direct competitors before making a purchase decision or converting.

Indirect Competition

Indirect competition is a term that refers to the companies or publishers that don't sell or market the same products, but are in competition with your business digitally. They may write the same type of content as you and be competing for the same keywords. In short, they are competing for your customers' attention.

How to Identify Direct Competitors?

When identifying competitors who are in direct competition to your business, you'll want to start with your product. A thorough understanding of your product and the value it provides to your audience or customers is crucial to identifying your direct competition.

If you work for a sneaker brand, for example, you are not simply in competition with other sneaker brands. You're also in competition with large shoe retailers, and any other brands and business that are creating footwear. Only by looking at your product and evaluating its value (you need to know not just that your sneakers cover and protect feet, for example, but also that people might evaluate them for durability, athletic use, and style), will you realize the full scope of your competition.

A few effective techniques for identifying direct competitors:

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1. **Market Research**

Take a look at the market for your product and evaluate which other companies are selling a product that would compete with yours. Talk to your sales team and find out which competitors they see come up often in their sales process. From there, you'll be

able to take a closer look at those companies, their product and marketing efforts, and create strategies to outperform them.

Again, your customers are the key to unlocking your direct competitors. Once they've decided on your business and product, you can ask them which other businesses/products they were evaluating. Customers often reveal unexpected competitors that aren't even on your radar.

In addition, during the sales process your sales team can also ask your potential customers which businesses they are considering. If they haven't decided on your product yet, your team will be able to speak to their needs better if you know which businesses or products they are considering.

In this day and age, your potential customers will often seek out advice and recommendations on social media sites and apps, or on community forums like Quora or Reddit. By investigating the conversations your customers have on these websites, you'll be able to further identify your competitors.

This is especially true for any marketers speaking to millennial audiences. Research by Deloitte shows that 50% of millennials report that a recommendation from a friend or family member has a high influence on their buying decision. And 27% of both millennials and Gen Z feel an online recommendation from someone in their social media circle has a high influence on their buying decisions.

How to Identify Indirect Competitors?

Your indirect competitors have just as much influence on your selling process as your direct competitors. In fact, because your indirect competitors are often writing content that competes with yours, they have an even greater effect on potential customers in the early stages of the buyer's journey. So how do you discover them?

Keyword research is the best way to identify your indirect competition. By conducting a competitive SEO analysis, you can determine which businesses or publishers are competing for space on Google. After all, many of your customers are looking for your products and solutions by typing them into search engines. For today's marketer, that means that you're in competition not only with your direct competitors but with every other website competing for keywords important for your business.

If you are currently using an SEO platform or technology, you may find that your SEO technology can help you identify competitors with data and insights. For example, Conductor Searchlight can provide a high-level look at the keywords your direct competition is targeting. It also can tell you which websites are ranking for a keyword important your business. These represent your indirect competitors.

Keyword research can really help you when looking to identify your competitors in business.

If you’re working manually, check out our guide to scoping out your competition through keyword research, A Step-By-Step Guide to Competitive Analysis.

When it comes down to it, many of your indirect competitors are writing about topics close to your value proposition. If you examine the value proposition of your product, you’ll be able to identify keywords that are central to your product or offering. From there, type the keywords into Google and see who is competing with your content on search engines. Anyone writing content around your value proposition, represents a person, blog, business, publication, or organization that is the indirect competition of your business.

If you’ve taken the first two steps on this list, step three should be a breeze. Head into AdWords and scan those keywords that are important to your business. Is there a lot of competition for any of those keywords? If there is, check out which businesses or websites are purchasing ads for those keywords. If websites are paying for paid space on the search engine results page for a keyword, they’re competing with your content for space on Google.

How to Identify Marketing Opportunities Based on Competitor Research?

After you’ve identified your competitors, you’ll want to identify marketing opportunities so you can start outperforming them.

Again, at this stage, keyword research can really help you decide where to put your efforts. If your competitors are targeting specific keywords with their content, where is there opportunity to outperform them? Are they implementing a particularly strong keyword strategy? What insights can you glean from that?

Similarly, by looking at your competitor’s social media presence, you can evaluate where they’re focusing their attention and efforts. From there, you can look toward opportunities to either compete with them directly for attention around specific topics or questions, or differentiate your approach by looking for gaps in their content or new angles to approach questions your audience is posing.

Lastly, you can always go back to paid data. If your indirect or direct competitors are putting money behind ads, you can be sure those keywords represent important business initiatives. This will also provide insight into where your competition is placing their efforts and money. From there, it’s up to you to craft marketing strategies to compete.

Competitive Analysis, Characteristics, Steps, Challenges

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Competitive Analysis is the process of identifying and evaluating the strengths, weaknesses, strategies, and market positions of current and potential competitors within an industry. It helps businesses understand the competitive landscape, anticipate rival moves, and identify opportunities for differentiation and growth. The analysis typically includes studying competitors' products, pricing, marketing, distribution, financial performance, and customer base. Tools like SWOT analysis, Porter's Five Forces, and benchmarking are commonly used. By gaining insights into competitors' capabilities and strategies, organizations can make informed strategic decisions, enhance their value proposition, and sustain a competitive advantage in the marketplace.

Characteristics of Competitive Analysis:

Strategic Focus

Competitive analysis is primarily strategic in nature. It provides critical insights that help a business identify its position relative to competitors and design strategies to gain or maintain a competitive advantage. It informs long-term decisions such as market entry, pricing strategies, innovation paths, and customer engagement. By understanding competitors' strengths, weaknesses, and likely moves, a company can proactively plan countermeasures. This strategic focus makes competitive analysis a cornerstone of business planning, ensuring that decisions are made with full awareness of the external environment and industry dynamics.

Continuous Process

Competitive analysis is not a one-time activity but a continuous process. Markets, customer preferences, technologies, and competitor strategies change over time. A company that performs competitive analysis regularly can detect shifts early and adapt quickly. This continuous monitoring involves tracking industry trends, new entrants, customer reviews, regulatory changes, and economic indicators. Staying updated ensures that strategic decisions remain relevant and competitive responses are timely. Businesses that view competitive analysis as an ongoing task, rather than a periodic report, are better positioned to maintain agility and resilience.

Data-Driven

A key characteristic of competitive analysis is its reliance on data. This includes both qualitative and quantitative information such as market share, pricing models, customer satisfaction, advertising campaigns, financial reports, and product features. The accuracy and depth of competitive analysis depend heavily on the quality of the data gathered. Analytical tools like SWOT, PESTEL, and Porter's Five Forces are commonly used to

interpret data systematically. A robust data-driven approach allows businesses to avoid assumptions and base decisions on factual, objective insights, thereby improving the effectiveness of their competitive strategies.

Multi-Dimensional Perspective

Competitive analysis considers multiple dimensions of a competitor's business, not just one aspect like pricing or market share. It evaluates product quality, innovation capacity, supply chain efficiency, brand reputation, customer service, marketing effectiveness, and technological advancements. This holistic view ensures that businesses understand competitors' comprehensive capabilities and risks. Focusing on multiple dimensions helps avoid underestimating rivals and encourages the development of balanced strategies. It also reveals interdependencies that might affect competitiveness, such as how product quality influences brand loyalty or how logistics impact pricing flexibility.

Future-Oriented

Although based on current and past data, competitive analysis is ultimately future-oriented. It aims to predict how competitors will act, how markets will evolve, and where new opportunities or threats may arise. This characteristic supports strategic foresight by helping organizations anticipate shifts and plan accordingly. Techniques like scenario analysis and trend forecasting are often used. Being forward-looking enables businesses to innovate, prepare contingency plans, and position themselves advantageously in fast-changing markets. A company that uses competitive analysis to anticipate rather than react is more likely to outperform competitors.

Decision-Supportive

Competitive analysis provides essential support for decision-making at various organizational levels. From launching a new product to expanding into new markets or adjusting marketing strategies, competitive insights help reduce uncertainty and guide choices. It empowers managers with relevant information to make informed, rational decisions rather than relying on instinct or guesswork. This characteristic enhances confidence in strategy formulation and helps align business actions with external realities. Ultimately, it improves the quality of decisions and increases the likelihood of achieving desired outcomes in a competitive environment.

> **Steps of Competitive Analysis:**

1. Identify Competitors

Begin by identifying all relevant competitors. These include:

- **Direct competitors**: Offer similar products/services to the same customer base.
- **Indirect competitors**: Offer alternative solutions or serve the same need differently.

- **Potential competitors**: New entrants or emerging companies that could enter the market.

Tip: Use market research, customer feedback, and industry reports to build a comprehensive competitor list.

2. Gather Information on Competitors

Collect detailed data on each competitor. Focus on:

- Products/services
- Pricing strategy
- Market share
- Target customers
- Marketing tactics
- Sales strategies
- Distribution channels
- Financial performance

Sources: Company websites, press releases, customer reviews, social media, financial statements, trade journals, and third-party research tools.

3. Analyze Competitor Strengths and Weaknesses

Use **SWOT Analysis** to evaluate:

- **Strengths**: What competitors do well (e.g., strong brand, innovation, customer loyalty).
- **Weaknesses**: Areas where they lack (e.g., poor service, outdated technology).

Goal: Identify where your company can outperform or differentiate itself.

4. Examine Competitors' Strategies

Understand their strategic approach, including:

- Business model
- Growth strategy (e.g., market penetration, diversification)
- Marketing campaigns
- Innovation efforts

- Customer service standards

Question: What value proposition are they offering, and how are they positioning themselves in the market?

5. Benchmark Performance Metrics

Compare your company’s key performance indicators (KPIs) against competitors:

- Revenue
- Profit margins
- Customer acquisition costs
- Market growth rate
- Customer retention rates

Benefit: Pinpoints performance gaps and opportunities for improvement.

6. Assess Market Positioning

Evaluate how each competitor is perceived by customers. Consider:

- Brand image
- Product/service quality
- Customer loyalty
- Unique Selling Proposition (USP)

Tool: Use perceptual maps to visualize market positioning.

7. Monitor Future Moves

Predict potential future actions of competitors such as:

- New product launches
- Mergers and acquisitions
- Expansion into new markets
- Shifts in pricing or promotional strategies

Method: Track news, industry events, patents filed, and hiring trends.

8. Draw Strategic Insights

Translate all the collected and analyzed data into actionable insights. Ask:

- What threats do competitors pose?
- Where are the opportunities for differentiation?
- How can we improve our value proposition?

Outcome: Formulate or adjust your strategy based on insights gained.

9. Update Regularly

Competitive environments are dynamic. Make your analysis:

- **Continuous**: Update it periodically (monthly, quarterly, annually).
- **Responsive**: Adapt quickly to any market or competitive shifts.

Why: Staying current ensures relevance and agility in your strategic planning.

10. Integrate Findings into Strategy

Finally, use the findings to:

- Refine your marketing approach
- Innovate your offerings
- Improve operations
- Set realistic goals and performance benchmarks

Result: A proactive, data-informed business strategy aligned with real-time market conditions.

> **Challenges of Competitive Analysis:**

Incomplete or Inaccurate Information

One major challenge in competitive analysis is acquiring reliable and complete data. Since competitors rarely disclose detailed strategic plans or performance metrics, businesses must often rely on secondary sources like market reports, customer feedback, or online content. These sources may be outdated, biased, or incomplete, leading to misinterpretation of a competitor's true strengths and strategies. Relying on such data can cause businesses to form flawed assumptions, resulting in poor strategic decisions. Accurate competitive intelligence requires constant monitoring and verification, which is time-consuming and resource-intensive.

Rapid Market Changes

The business environment is increasingly dynamic, with market trends, customer preferences, and technologies evolving rapidly. A competitor's strategy today might change significantly in a short period due to innovation, mergers, new regulations, or shifts in consumer behavior. Competitive analysis can become obsolete quickly if it doesn't account for these changes in real time. This challenge highlights the need for businesses to adopt agile, continuous assessment methods rather than relying on static or annual competitor reviews. Without frequent updates, companies risk making decisions based on outdated or irrelevant insights.

Overemphasis on Direct Competitors

Many companies focus too narrowly on direct competitors while neglecting potential or indirect competitors. For example, a taxi company may only track other taxi services while ignoring emerging threats from ride-sharing platforms like Uber. Similarly, businesses may underestimate substitutes or new entrants that can disrupt the industry. This tunnel vision limits strategic foresight and may result in failure to adapt to broader market dynamics. Comprehensive competitive analysis should include the full spectrum of competition, including disruptive technologies and unconventional players that could reshape the competitive landscape.

Misinterpretation of Competitor Strategies

Analyzing a competitor's moves without full context can lead to misinterpretation. A price drop might be perceived as a market penetration strategy when it could actually be due to inventory clearance or cost savings. Competitor actions are often complex and influenced by internal considerations unknown to outsiders. Without understanding the rationale behind those actions, companies may respond incorrectly—such as initiating a price war or overhauling a successful strategy. This challenge stresses the need for nuanced interpretation and critical thinking when drawing conclusions from observed competitor behavior.

Bias and Subjectivity

Competitive analysis can be influenced by cognitive biases or organizational politics. Analysts may unconsciously downplay competitor strengths or exaggerate their weaknesses to align with internal narratives or executive expectations. Confirmation bias may lead teams to only seek information that supports their pre-existing beliefs. This subjective approach can result in overconfidence or strategic complacency. To overcome this challenge, businesses must promote objective, evidence-based analysis, use standardized evaluation frameworks, and encourage diverse perspectives to counteract internal biases and build a realistic picture of the competitive environment.

High Resource Requirement

Conducting in-depth competitive analysis requires significant time, expertise, and financial investment. From collecting data to analyzing patterns and drawing actionable insights, the process is resource-heavy—especially for small and medium enterprises

with limited capacity. Hiring skilled analysts, investing in market research tools, and subscribing to databases can be costly. Additionally, ongoing monitoring adds to the workload. As a result, some companies may conduct superficial analyses that fail to deliver meaningful value. Striking the right balance between depth, accuracy, and cost is essential for effective and sustainable competitive analysis.

SWOT Analysis (Environment Impact Assessment, Social Cost Benefit Analysis)

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SWOT analysis is a technique that businesses often use to assess four key aspects of their organization. This analysis can help companies better understand how likely they are to succeed and what areas they should focus on to improve.

Strengths:

These are internal factors (factors you can control) that set your project or business up for success. Project strengths include any aspects of the project that make it likely to succeed. Some examples are detailed project requirements, an engaged customer, robust project management software, and experienced team members.

Weaknesses:

Weaknesses are internal factors that may make it difficult for you to succeed. For instance, if your team has never worked together before and several members are new and inexperienced. Other internal weaknesses could be overallocated resources, a lack of visibility into progress, disengaged stakeholders, or a lack of project funding.

Opportunities:

Opportunities are factors that are outside of your control (external factors) that could help your project succeed. They could be current opportunities that exist now but have not yet been taken advantage of or future opportunities that you think may happen. If your primary material vendor suddenly offered a discount, it would be an opportunity to save your project money. If another project at your company finished early, it could free up resources you can then use to help your project succeed.

Threats:

These are external factors that could harm your project if they were to take place. As with opportunities, they can be current or future threats. The possibility of one of your vendors going out of business would be a threat. Other threats could be bad weather (such as a snowstorm causing employees to miss work), increased costs of supplies, materials, or contractors.

> **Steps:**

- Include all your key stakeholders in the process. Team members, your client, sponsor, and others close to the project should all help identify and analyze critical factors so that nothing is overlooked.
- Gather everyone together (virtually or in-person) and brainstorm a list for each of the four categories (strengths, weaknesses, opportunities, and threats.)

- Prioritize the factors in each section from most important to least important once the brainstorming is complete.
- Create and distribute the SWOT analysis. List the factors in each category with the most important at the top and the least important at the bottom.
- Create action plans to address any factors within your control (strengths and weaknesses) as well as any current opportunities or threats.
- Create future plans for how to handle opportunities and threats that may arise later. These plans should include a means of identifying that the opportunity or threat has happened, as well as the action plan for taking advantage of them.
- Maintain the list in a central location where all stakeholders can easily reference it, and refer to it regularly, so that priorities stay top of mind.
- Review and reassess the list periodically throughout the project to see if anything has changed and if any new factors need to be added.

Environment Impact Assessment

Environmental Impact Assessment (EIA) is a process of evaluating the likely environmental impacts of a proposed project or development, taking into account inter-related socio-economic, cultural and human-health impacts, both beneficial and adverse.

UNEP defines Environmental Impact Assessment (EIA) as a tool used to identify the environmental, social and economic impacts of a project prior to decision-making. It aims to predict environmental impacts at an early stage in project planning and design, find ways and means to reduce adverse impacts, shape projects to suit the local environment and present the predictions and options to decision-makers. By using EIA both environmental and economic benefits can be achieved, such as reduced cost and time of project implementation and design, avoided treatment/clean-up costs and impacts of laws and regulations.

Although legislation and practice vary around the world, the fundamental components of an EIA would necessarily involve the following stages:

- Screening to determine which projects or developments require a full or partial impact assessment study;
- Scoping to identify which potential impacts are relevant to assess (based on legislative requirements, international conventions, expert knowledge and public involvement), to identify alternative solutions that avoid, mitigate or compensate adverse impacts on biodiversity (including the option of not proceeding with the development, finding alternative designs or sites which avoid the impacts, incorporating safeguards in the design of the project, or providing compensation for adverse impacts), and finally to derive terms of reference for the impact assessment;
- Assessment and evaluation of impacts and development of alternatives, to predict and identify the likely environmental impacts of a proposed project or development, including the detailed elaboration of alternatives;

- Reporting the Environmental Impact Statement (EIS) or EIA report, including an environmental management plan (EMP), and a non-technical summary for the general audience.
- Review of the Environmental Impact Statement (EIS), based on the terms of reference (scoping) and public (including authority) participation.
- Decision-making on whether to approve the project or not, and under what conditions; and
- Monitoring, compliance, enforcement and environmental auditing. Monitor whether the predicted impacts and proposed mitigation measures occur as defined in the EMP. Verify the compliance of proponent with the EMP, to ensure that unpredicted impacts or failed mitigation measures are identified and addressed in a timely fashion.

> **Social Cost Benefit Analysis**

The primary goal of all businesses is to get maximum return on investments. Thus, the promoters prefer to assess commercial viability. However, some ventures may not give appealing results for business profitability, so such programs are executed because they have social consequences. These are infrastructure works, including roadway, rail, bridges, and certain other construction works, irrigation, electricity initiatives, etc., that have a major role in socio-economic concerns instead of merely commercial prosperity. Therefore, such initiatives are assessed for the net socio-economic advantages and cost control that is nothing other than the national survey of potential socio-economic costs.

So, SCBA, often known as Social Cost-Benefit Analysis in project management, has become a tool for effective financial evaluation. It is an approach to assessing infrastructure investments from a social (or economic) perspective. Get to know more from PMP training, which is the most prominent credential in project planning worldwide.

1. **Market Instability**

A private corporation would evaluate a deal based on productivity and relevant market prices. However, the government must consider additional variables. Determining social costs in the event of market inefficiency and when market pricing cannot specify them. These hidden social costs are referred to as shadow prices.

2. **Investments & Savings**

A venture that results in increased savings is considered an investment in a market.

3. **Income is distributed and redistributed**

The initiative should not lead to revenue accumulation in the control of a few and the distribution of income.

4. **Career and Living Standards**

The impact of a program on employment and level of livelihood will also be considered. Therefore, the contract should result in a rise in employment and living standards.

5. **Externalities**

Externalities can be detrimental and advantageous to an enterprise. As a result, both impacts must be considered before approving a deal. For example, positive externalities can take the shape of technological advances, while negative externalities might take the form of rapid urbanization and ecological degradation.

6. **Subsidy and Taxation**

Taxation and subsidies are treated as expenses and revenue, respectively. However, taxation and subsidy are regarded as transfer payments for social cost-benefit analysis.

> **Different Approaches of SCBA in Project Management**

By the late 1960s and early 1970s, two distinct approaches to SCBA had developed. These are as follows: 1. UNIDO's Approach 2. L-M Approach. If you're seeking an online program for the PMP certification exam that includes thousands of PMP practice questions, the PMP Course Online package is a good alternative.

1. **UNIDO's Approach**

The UNIDO (United Nations Industrial Development Organization) planning methodology is as follows: The UNIDO method was reflected in the project assessment principles, establishing a systematic assessment for SCBA in developing economies. However, due to the severity and complexity of this task, concise and functional guidance for project evaluation in execution was required. Therefore, the fundamental principle of the method is the introduction in 1978 of the UNIDO Guidance to Practical Project Assessment.

The appraisal process is carried out on both planned and completed projects. It is a systematic method for determining the feasibility of a project or idea. It helps determine the feasibility before allocating funds to it. It frequently entails an evaluation of various scenarios, which is accomplished by applying any decision procedure or financial evaluation criteria.

The UNIDO project evaluation technique consists of five phases:

- Assessment of the proposal's market performance at market values.
- Determining the net benefit from a financial perspective.
- Adaptation to account for the development's implications on savings and investment.
- Adaptation to account for the program's impacts on wealth distribution.
- Modifying the program's results on merit products with a social worth is not equivalent to their economic importance.

2. **L-M (Little-Mirrlees) Approach**

I.M.D. Little and J.A. Mirlees pioneered this technique in social cost-benefit analysis. The essential principle of this method is that in developing countries, the social cost of using a product varies significantly from the amount charged for it. As a result, Shadow Prices are required to signify the actual worth of a resource to the community. The LM Strategy covers all aspects of SCBA in developing nations.

L-M Numeraire is a source of uncommitted public revenue at the moment. A project's resources inputs and outputs are categorized primarily as labor traded goods and non-traded interests. As a result, to determine the actual value of such sources, we must choose:

Shadow Wage Rate (SWR)

The SWR is used to calculate the potential cost of adding a person to the assignment. This requires us to ascertain:

- The value of production is lost as a result of the usage of a unit of labor.
- The expense of extra consumption owing to labor transfer

Strategic Audit, Features, Steps, Components

03/11/2022

Strategic Audit is a comprehensive and systematic evaluation of a company's strategies, goals, and performance to determine their effectiveness in achieving long-term objectives. It involves analyzing both internal and external environments, assessing strengths, weaknesses, opportunities, and threats (SWOT), and reviewing key areas such as marketing, finance, operations, and human resources. The purpose of a strategic audit is to ensure that an organization's strategy aligns with its mission and adapts to changing market conditions. It helps identify strategic gaps, risks, and areas for improvement, enabling informed decision-making and the development of more competitive and sustainable business strategies.

Features of Strategic Audit:

Comprehensive Evaluation

A strategic audit provides a thorough and all-encompassing evaluation of a company's internal and external environment. It examines every key area of the organization—such as marketing, finance, human resources, operations, research and development, and competitive positioning. This ensures that the strategy is not being viewed in isolation, but rather in the context of how different departments and external forces impact overall performance. By covering every strategic element, it highlights how well a company's functions align with its goals. This comprehensive nature allows decision-makers to identify inconsistencies, inefficiencies, and opportunities for growth across the enterprise.

Objective and Systematic Approach

A key feature of a strategic audit is its objectivity and structured process. It follows a systematic methodology using specific tools and frameworks such as SWOT analysis, PESTEL analysis, Porter's Five Forces, and financial ratio analysis. This reduces bias and helps maintain consistency in evaluating strategies. The audit aims to uncover facts rather than opinions, providing a clear, evidence-based picture of how the strategy is performing. A systematic approach ensures that no critical area is overlooked and that conclusions are drawn based on data and logical reasoning rather than assumptions or intuition.

Strategic Alignment Assessment

Strategic audits evaluate the alignment between the organization's mission, vision, goals, and actual business practices. It ensures that each department or unit is working in line with the organization's broader objectives and strategic direction. Misalignment can result in resource wastage, conflicting priorities, and strategic drift. Through alignment assessment, companies can verify whether their strategies support long-term sustainability, competitiveness, and stakeholder value. This feature is crucial in keeping

the organization focused and cohesive, especially during periods of change, expansion, or market disruption. It supports strategic coherence throughout all levels of the organization.

Continuous Improvement Tool

Strategic audits are not one-time events; they serve as a foundation for continuous improvement. They help companies understand past mistakes, learn from them, and implement changes to strengthen future performance. By periodically revisiting and auditing the strategy, businesses can remain adaptive to external shifts like market trends, technological changes, and regulatory updates. This ongoing evaluation helps in refining the strategy and keeping it relevant. Continuous improvement through strategic audits fosters a culture of accountability, responsiveness, and learning—ensuring the organization is always moving toward better efficiency and long-term success.

Decision-Making Support

Another significant feature of a strategic audit is its role in supporting top-level decision-making. By presenting a clear, structured, and data-backed analysis of the firm's strategic health, the audit empowers executives with the information needed to make informed decisions. It highlights what's working, what's not, and where the organization stands relative to its competitors. This clarity helps leadership in resource allocation, investment planning, market positioning, and risk management. In essence, strategic audits act as a strategic compass, enabling organizations to navigate complex business environments with confidence and clarity.

Steps of Strategic Audit:

Define the Purpose and Scope of the Audit

The first step in conducting a strategic audit is to clearly define its purpose and scope. This involves understanding the objectives of the audit, such as evaluating strategy effectiveness, identifying gaps, or preparing for expansion. The scope must also be established—whether the audit will cover the entire organization, specific business units, or functions. Clear scope setting ensures that the audit remains focused, efficient, and aligned with organizational goals. It also helps in resource planning and deciding which strategic tools and frameworks will be appropriate for analysis.

Analyze the Mission, Vision, and Objectives

This step evaluates whether the organization's mission, vision, and objectives are clearly articulated and aligned with current operations. A strategic audit checks if these statements reflect the company's purpose, long-term direction, and measurable targets. The analysis also examines how well these are communicated and understood throughout the organization. Any misalignment between mission and actual performance

may indicate a need for strategic realignment. This foundational review ensures that strategic planning begins with a solid understanding of what the company aims to achieve and how it defines success.

Conduct External Environment Analysis

In this step, the organization assesses external factors that influence its operations and competitive position. Tools such as **PESTEL analysis** (Political, Economic, Social, Technological, Environmental, Legal) and **Porter's Five Forces** help in identifying opportunities and threats. It evaluates industry dynamics, customer trends, economic shifts, legal changes, and technological developments. A thorough understanding of the external environment helps in proactive strategy formulation, reducing risks, and identifying emerging trends that could impact the business. It also helps the organization respond effectively to changing market conditions.

Perform Internal Environment Analysis

This involves evaluating the organization's internal strengths and weaknesses. It includes assessing resources (financial, human, technological), operational capabilities, organizational structure, and company culture. Key areas of review include HR practices, financial performance, innovation capacity, and operational efficiency. This step determines whether the internal environment supports the achievement of the organization's goals and where improvements can be made. Tools like **SWOT analysis** are often used here. The goal is to understand how well the organization is internally positioned to capitalize on external opportunities and defend against threats.

Evaluate Current Strategies

Here, the audit assesses whether the existing strategies are effectively aligned with the organization's goals and environmental conditions. It examines corporate, business, and functional strategies to evaluate their performance and relevance. Metrics such as market share, ROI, growth, and customer satisfaction are analyzed. This step identifies if current strategies are delivering results or need adjustments. Strategy evaluation helps decision-makers understand what's working, what's not, and where reallocation of resources or strategic pivoting may be required to maintain competitive advantage and sustainability.

Identify Strategic Issues and Challenges

Based on the internal and external analyses, this step identifies key strategic issues facing the organization. These could include changing customer preferences, declining profitability, new market entrants, or internal inefficiencies. Recognizing these issues is essential for addressing root problems and seizing untapped opportunities. This step also highlights gaps between intended and actual performance. By clearly outlining strategic challenges, the organization can prioritize action plans and allocate resources effectively. It lays the groundwork for developing targeted recommendations and informed decision-making.

Develop Strategic Recommendations

Once key issues are identified, the next step is to propose actionable recommendations. These should be realistic, goal-oriented, and aligned with the organization's mission. Recommendations may involve refining strategies, launching new products, entering new markets, restructuring, or improving operational efficiency. Prioritizing these recommendations based on feasibility and impact is essential. These strategic suggestions form the foundation for future planning and implementation efforts. This step ensures that the audit not only highlights problems but also delivers value by offering constructive solutions for improvement.

Prepare and Present the Strategic Audit Report

The final step is to compile all findings, analyses, and recommendations into a clear, concise, and well-organized strategic audit report. The report should include executive summaries, SWOT analysis, performance evaluations, and future strategic directions. It should be presented to top management and key stakeholders for review and action. A well-prepared report facilitates informed decision-making and aligns leadership around common strategic priorities. It also serves as a strategic reference document for future reviews and assessments, making it a valuable tool in the ongoing management process.

> **Components of Strategic Audit:**

1. Mission and Objectives

This component assesses whether the organization's **mission, vision, and long-term objectives** are clearly defined, realistic, and aligned with current operations. It evaluates how well these statements guide decision-making and whether they are understood across the organization.

2. External Environment Analysis

Focuses on evaluating the **external forces** that impact the business. This includes:

- **PESTEL Analysis** (Political, Economic, Social, Technological, Environmental, Legal)
- **Industry Structure** (Porter's Five Forces)
- **Opportunities and Threats**

This component determines how external factors influence strategic decisions.

3. Internal Environment Analysis

Analyzes the **company's internal capabilities**, including:

- **Resources** (financial, human, technological)

- **Core competencies**
- **Strengths and Weaknesses**
- **Organizational structure and culture**

The goal is to assess whether the internal environment supports the execution of the strategy.

4. Strategy Evaluation

Reviews the current **corporate, business-level, and functional-level strategies** to determine their effectiveness and relevance. Key questions include:

- Is the strategy aligned with the mission and environment?
- Is it delivering the desired performance?
- Is it sustainable?

5. Financial Analysis

Examines key **financial indicators** such as:

- Profitability
- Liquidity
- Efficiency
- Solvency
- Return on Investment (ROI)

This component reveals the organization’s financial health and supports strategic planning with measurable data.

6. Competitive Analysis

Assesses the company’s **competitive position** in the market using tools like:

- SWOT analysis
- Benchmarking
- Market share analysis

It helps identify the organization’s advantages and areas needing improvement relative to competitors.

7. Implementation Review

Focuses on how well the strategy is being **executed**. It looks at:

- Resource allocation
- Leadership effectiveness
- Communication channels
- Employee involvement
- Timeline adherence

This component identifies any gaps between strategy formulation and execution.

8. Strategic Issues and Recommendations

Summarizes key **strategic challenges**, gaps, or risks found in the audit and proposes **recommendations** for:

- Strategic re-alignment
- Change management
- Innovation and growth
- Risk mitigation

This final component turns insights into **actionable plans**.

Strategic Analysis & Choice & Implementation

22/05/2020

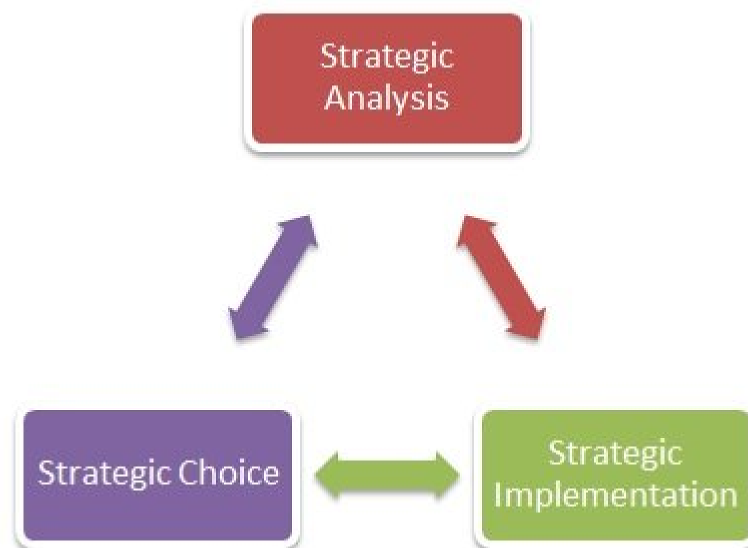
Strategy analysis and choice focuses on generating and evaluating alternative strategies, as well as on selecting strategies to pursue. Strategy analysis and choice seeks to determine alternative courses of action that could best enable the firm to achieve its mission and objectives.

The firm's present strategies, objectives, and mission together with the external and internal audit information, provide a basis for generating and evaluating feasible alternative strategies. The alternative strategies represent incremental steps that move the firm from its current position to a desired future state.

Alternative strategies are derived from the firm's vision, mission, objectives, external audit, and internal audit and are consistent with past strategies that have worked well. The strategic analysis discusses the analytical techniques in two stages i.e. techniques applicable at corporate level and then techniques used for business-level strategies.

The techniques that have been discussed for the corporate level include BCG matrix, GE nine-cell planning grid, Hofer's matrix and Shell Directional Policy Matrix and the techniques for business- level include SWOT analysis, experience curve analysis, grand strategy selection matrix, grand strategy clusters.

The judgmental factors constitute the other aspect on the basis of which strategic choice is made.



As environment changes, companies need to change their strategies to adapt to the environment not only to prosper but also to survive. Based on the multiple strategic choices, each choice is analyze and the best one is selected and implemented.

Strategic analysis and choice are two important components of the implementation stage of the strategic management plan. These two components are crucial links in the strategic management implementation procedure.

Strategic analysis is all about analyzing the strength of businesses' position and understanding the important external factors that may influence that position. Factors Taken into Consideration for Strategic Analysis and Choice

Key Internal Factors

- Marketing
- Management
- Operations/Production
- Accounting/Finance
- Computer Information Systems
- Research and Development

Key External Factors

- Political/Governmental/Legal
- Economy
- Technological
- Social/Demographic/Cultural/Environmental
- Competitive

Techniques Used in Strategic Analysis

The following devices or techniques are used in the procedure of strategic analysis:

- Five Forces Analysis
- PEST Analysis (Political, Economic, Social and Technological Analysis)
- Market segmentation
- Scenario planning
- Competitor analysis
- Directional policy matrix
- SWOT Analysis (Strength, Weaknesses, Opportunities, and Threats Analysis)
- Critical Success Factor Analysis

Strategic choice

Strategic choice involves understanding the nature of stakeholders expectations, identifying the strategic option and evaluating and selecting the best/optimal choice amongst all.

Strategic implementation

Strategic implementation is the penultimate stage of strategic management and strategic analysis and choice are two significant constituents of that process.

Characteristics of Strategic Analysis and Choice

Following are the features of strategic analysis and choice:

- Establishment of long term goals
- Producing strategy options
- Choosing strategies to act on
- Selecting the best option and accomplishing mission and goal

At the time of performing strategic analysis and arriving at strategic choices, long term goals are fixed and different types of strategies are chosen that are most appropriate for the mission of the company and the variable conditions.

Strategic analysis and choice of strategies are done with the help of a number of techniques. If the appropriate strategy is chosen, a company would become more efficient to establish sustainability in competitive advantage and maximize firm valuation.

Overview of process of Strategic Planning

05/03/2020

Strategic planning means planning for making and implementing strategies to achieve organisational goals. It starts by asking oneself simple questions like: What are we doing, should we continue to do it or change our product line or the way of working, what is the impact of social, political, technological and other environmental factors on our operations, are we prepared to accept these changes etc.

Strategic planning helps in knowing where we are and where we want to go so that environmental threats and opportunities can be exploited, given the strengths and weaknesses of the organisation. Strategic planning is “a thorough self-examination regarding the goals and means of their accomplishment so that the enterprise is given both direction and cohesion.”

It is “a process through which managers formulate and implement strategies geared to optimising strategic goal achievement, given available environmental and internal conditions.” Strategic planning is planning for long periods of time for effective and efficient attainment of organisational goals. Strategic planning is based on extensive environmental scanning. It is a projection into environmental threats and opportunities and an effort to match them with organisational strengths and weaknesses.

Strategic planning is done to comprehend, anticipate and absorb environmental vagaries. It is a continuous process. Every time business organisations want to increase the growth rate or change their operations, desire for better management information system, co-ordinate activities of different departments, remove complacency from organisations; they make strategic plans.

Process

1. Objective Formulation:

Strategies are goal-oriented. The overall purpose or mission of the organisation must be clearly stated. Mission explains the reason why business is in existence. It identifies the scope of products/services. The goals can be economic or social and may relate to size of the organisation, goods or services or simply the technology or the way an organisation operates its business.

Missions justify existence of the organisation in terms of purpose (objectives), markets, products/services, consumers etc.; relationship between organisation’s internal and external environment, its culture, values, ethics and beliefs. Missions formulate objectives and objectives help to formulate strategies.

2. Analyse the Impact of Environment:

Environmental analysis is the "systematic assessment of information about the firm's external environment during the strategic planning process to identify strategic opportunities for the company as well as major threats, problems, or other possible impediments." Managers scan the environment, pick relevant information and use it for strategy formulation.

A successful strategy aligns with the environment. Strategies are made to integrate the organisation with its environment. Managers examine both general and specific environmental factors to see what changes are occurring. External factors which indirectly affect strategic planning are technological, social, political, and legal and those which directly influence are competitors, suppliers, government and customers.

Whether these factors promote or restrain business activities is analysed in framing strategies. Complete information collected from various sources like government agencies, banks, customers, journals, bulletins, suppliers, other business associations etc., may not be required for strategy formulation. Information is screened and only relevant information is analysed to formulate strategies.

This information may be related to production (plant location, layout, inventory management repairs and maintenance etc.), marketing (market share, consumer needs, promotion mix, product mix etc.), finance (debt-equity ratio, dividend policy etc.) or human resource (manpower planning, recruitment and selection procedures, training and development etc.).

Environmental analysis helps to:

1. prepare strategies to convert threats into opportunities
2. create environmental threat and opportunity profile (ETOP) which analyses the environmental factors and assesses their impact on the organisation.

3. Analyse Resource Position of the Firm:

After analysing the external environment, firms evaluate their internal resource position to identify their strengths and weaknesses in relation to environmental threats and opportunities. Knowing environmental threats and opportunities is not enough unless the organisations know their strengths that can overcome the threats and exploit the opportunities.

Organisational weaknesses, if any, have to be overcome to take benefit of environmental opportunities. Resources being limited, organisational strengths and weaknesses should be analysed to use the resources in areas where they can be optimally utilised.

Matching of strengths and weaknesses (internal environment) with threats and opportunities (external environment) is known as SWOT analysis. It helps in generating strategies and answer the basic question of strategic planning—what we are and what we want to be or where we are and where we want to go?

The following steps are identified by Hofer and Schendel to analyse resource position of the organisation:

(a) Develop a profile of the organisation's principal resources and skills in three broad areas: financial; physical, organisational and human; and technological.

(b) Determine the key success requirement of the product/market segments in which the organisation competes or might compete.

(c) Compare resource profile with key success requirements to determine the major strengths on which effective strategy can be based and major weaknesses to be overcome.

(d) Compare organisation's strengths and weaknesses with those of competitors to identify which resources and skills are needed to have competitive advantage in the marketplace.

Analysing the organisation (corporate appraisal) helps in setting priorities over areas where organisations need to pay more attention. These areas could be operations/marketing/hum an resource/finance etc.

4. Establish Alternative Strategies:

Managers carry out gap analysis to develop alternative strategies, i.e., analyse the present strategies and the objectives formulated. "It is the difference between the objectives established in the goal formulation process and the results likely to be achieved if the existing strategy is continued."

It reveals gap between the present state and future aspirations of the organisation. If existing strategies can help in reaching the desired objectives, new strategies need not be formulated but if there is a gap, managers develop strategies to attain the objectives.

The following strategies can be made:

(a) Strategy to concentrate:

Companies want to specialise in the existing line of products, capture bigger market share and become market specialists in that product line.

(b) Strategy to diversify:

Companies want to enter new markets to increase the share of market.

(c) Strategy to enter international markets:

Besides increasing share in the national markets, firms want to expand their business in other countries.

(d) Strategy to enter into joint ventures:

Firms enjoy the benefits of synergy by collectively exploiting the resources and enlarging their area of operation.

(e) Liquidation strategy:

It means to drop the existing product if it is not profitable.

(f) Retrenchment strategy:

It means dropping some of the resources (human and non-human) to make best use of the remaining ones. Surplus resources are shed off in this strategy. It results in optimum use of resources. The list of strategies is not exhaustive. New strategic options may be considered by the firms depending upon the situation.

5. Evaluate Alternative Strategies:

Different strategic options are evaluated on the basis of their competitive advantages in terms of:

(a) Risk:

Will the strategy be able to achieve the objectives?

(b) Time:

Is it being adopted and implemented at the right time?

(c) Target:

Does it target at matching internal strengths and weaknesses of the organisation with its external environment?

Four criteria for evaluating strategies are identified by Richard R Rumelt:

(a) Is the strategy consistent with broad objectives of the company?

(b) Does the strategy focus organisational resources on critical success factors in the product/market area for which it is intended to be formulated?

(c) Does it maximise company’s internal strengths and minimise its weaknesses?

(d) Is the strategy realistic? Will it be able to produce the desired results? i.e., it is a workable strategy or not?

Various quantitative techniques such as ratio analysis, break-even analysis, linear programming, networking etc. are used to evaluate strategies.

6. Choice of a Strategy:

After evaluating strategies in terms of risks and returns (ability to achieve the goals), they are ranked in order of priority and the strategy best suited to achieve the goals is chosen. The chosen strategy should be directed to maximise long-term goals of the organisation.

7. Implement the Strategy:

After selection, the strategy is put into action and practiced. It becomes a guide for the organisation and members to direct their efforts in a unified direction. Implementation requires designing the suitable organisation structure, developing a sound system of communication, motivation and control, allocating authority responsibility, resources etc.

8. Measurement and Control of Strategy:

Organisational performance is measured at periodic intervals to assess whether strategic objectives are being achieved or not.

A formal strategic control system is designed which answers questions such as:

(a) Is the strategy being implemented as planned?

(b) Are the critical assumptions on the basis of which it was selected still valid?

(c) Is the strategy achieving the intended results?

If the results are similar to objectives, the strategies become the basis for future action. However, if the objectives are not achieved, reasons are found for the same and suitable actions are taken to overcome the problem.

Competitive Advantage

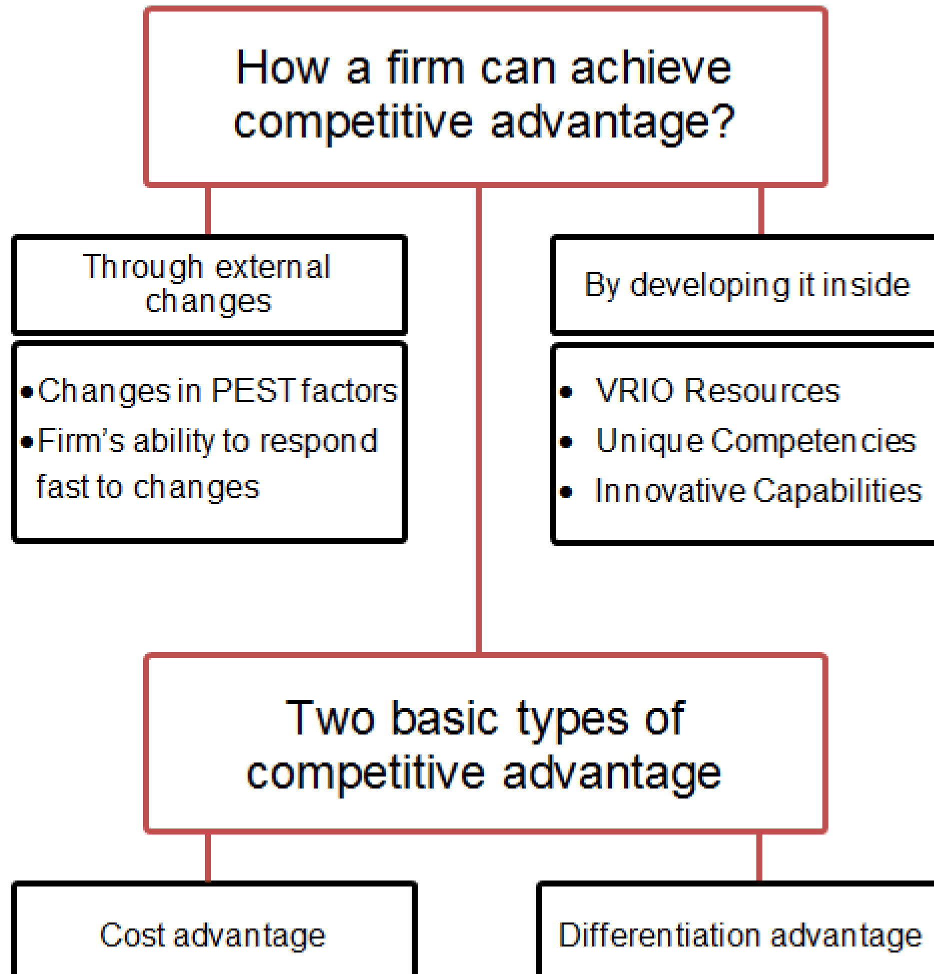
19/08/2020

There is no one answer about what is competitive advantage or one way to measure it, and for the right reason. Nearly everything can be considered as competitive edge, e.g. higher profit margin, greater return on assets, valuable resource such as brand reputation or unique competence in producing jet engines. Every company must have at least one advantage to successfully compete in the market. If a company can't identify one or just doesn't possess it, competitors soon outperform it and force the business to leave the market.

There are many ways to achieve the advantage but only two basic types of it: cost or differentiation advantage. A company that is able to achieve superiority in cost or differentiation is able to offer consumers the products at lower costs or with higher degree of differentiation and most importantly, is able to compete with its rivals.

In business, a competitive advantage is the attribute that allows an organization to outperform its competitors. A competitive advantage may include access to natural resources, such as high-grade ores or a low-cost power source, highly skilled labor, geographic location, high entry barriers, and access to new technology.

The following diagram illustrates the basic competitive advantage model-



(i) Changes in PEST factors

PEST stands for political, economic, socio-cultural and technological factors that affect firm's external environment. When these factors change many opportunities arise that can be exploited by an organization to achieve superiority over its rivals. For example, new superior machinery, which is manufactured and sold only in South Korea, would result in lower production costs for Korean companies and they would gain cost advantage against competitors in a global environment. Changes in consumer demand, such as trend for eating more healthy food, can be used to gain at least temporary differentiation advantage if a company would opt to sell mainly healthy food products while competitors wouldn't. For example, Subway and KFC.

If opportunities appear due to changes in external environment why not all companies are able to profit from that? It's simple, companies have different resources, competences and capabilities and are differently affected by industry or macro environment changes.

(ii) Company's ability to respond fast to changes

The advantage can also be gained when a company is the first one to exploit the external change. Otherwise, if a company is slow to respond to changes it may never benefit from the arising opportunities.

(i) VRIO resources

A company that possesses VRIO (valuable, rare, hard to imitate and organized) resources has an edge over its competitors due to superiority of such resources. If one company has gained VRIO resource, no other company can acquire it (at least temporarily). The following resources have VRIO attributes:

- Intellectual property (patents, copyrights, trademarks)
- Brand equity
- Culture
- Know-how
- Reputation

(ii) Unique competences

Competence is an ability to perform tasks successfully and is a cluster of related skills, knowledge, capabilities and processes. A company that has developed a competence in producing miniaturized electronics would get at least temporary advantage as other companies would find it very hard to replicate the processes, skills, knowledge and capabilities needed for that competence.

(iii) Innovative capabilities

Most often, a company gains superiority through innovation. Innovative products, processes or new business models provide strong competitive edge due to the first mover advantage. For example, Apple's introduction of tablets or its business model combining mp3 device and iTunes online music store.

Types of Competitive Advantage

1. Porter has identified 2 basic types of competitive advantage: cost and differentiation advantage.

1. Cost advantage

Porter argued that a company could achieve superior performance by producing similar quality products or services but at lower costs. In this case, company sells products at the same price as competitors but reaps higher profit margins because of lower production costs. The company that tries to achieve cost advantage (like Amazon.com) is pursuing cost leadership strategy. Higher profit margins lead to further price reductions, more investments in process innovation and ultimately greater value for customers.

Differentiation advantage is achieved by offering unique products and services and charging premium price for that. Differentiation strategy is used in this situation and company positions itself more on branding, advertising, design, quality and new product development (like Apple Inc. or even Starbucks) rather than efficiency, outsourcing or process innovation. Customers are willing to pay higher price only for unique features and the best quality.

The cost leadership and differentiation strategies are not the only strategies used to gain competitive advantage. Innovation strategy is used to develop new or better products, processes or business models that grant competitive edge over competitors.

Role of Talent Management in building Sustainable Competitive advantage to an organization

19/12/2021

Organizations work towards the achievement of their mission and strategic objectives. This requires a thorough understanding of the resources required for achieving the same. Resources here imply financial and non-financial both and they are equally important and interdependent.

Technically these resources have been divided into two, non-contingent and differentiating capabilities. Whereas non contingent capabilities are basics that enable an organization to compete and exist in the marketplace, differentiating capabilities are those that differentiate an organization from that of the other and offer competitive advantage. Effective marketing management, for example can be one of non-contingent capabilities. Similarly, many HR processes aspire to develop non contingent capabilities but they often fail to align with the strategy and offer competitive advantage. Most of these processes end up developing people in similar areas and similar capacities as their rival firms but this fails to provide any competitive advantage.

For organizations to develop competitive advantage through HR processes it is very important to define strategic differentiating capabilities and then develop a process for identifying and developing the same. This empowers the HR people to create an impact on the organizational strategy and also provides a link between talent management and strategy.

For HR to prove that talent management can be of strategic importance to organizations, the critical relationship between the two must be proven. Talent management specially needs to be projected as a differentiating strategic capability that can offer real and substantial competitive advantage.

According to research conducted by various bodies it was found out that creation of differentiating strategic capabilities signifies the relationship between business strategy and human resources. Human resources, it was deduced are the primary sources of strategic advantage. The research study was primarily based on Resource based view (RBV) of an organization. This view has gained significant ground among HR practitioners as basis of models for formation and structure of resources.

Unlike other non-contingent capabilities that can be developed easily and cannot contribute to a large extent towards the development of a sustainable competitive advantage, differentiating strategic capability such as strategic HR through talent management can. However, for human resources to qualify as potential sources of competitive advantage they should fulfil the following criteria:

- **Strategic Value**: The resource has to contribute substantially and add value in his/her area of expertise.

- **Rare**: Unique in terms of skills, knowledge and abilities in order to qualify as rare.
- **Appropriable**: The extent to which the resource is owned by the firm.
- **Inimitable**: Such that the resource cannot be replaced even after the competitors having spotted the same.
- **Cannot be Substituted**: This means that the resource cannot be substituted by the rival firms and that there is no match for the talent.

There are not many things in the business environment that can fulfill all the above criteria and offer unique competitive advantage except human resources and that is under the jurisdiction of talent management. There is also a need to understand the strategic intent of the organization before defining strategic capabilities.

Strategies:

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1. **Adopt a growth mindset.** A scalable and expanding customer and values-driven mindset is a living, breathing thing. It begins with the existing leadership of the organization and permeates throughout the organization, its functions, and its stakeholders. It is not only led but managed and habitually normal; it is culture. This mindset connects the organization to the people who matter.
2. **Have organizational character**. Reference and align the corporate vision, values and mission. Know and understand the current/future state of the organization and industry. Integrate strategy and aspirations for any innovation, disruption and digital strategies. Be prepared and flexible as the progression of transformation takes place and begins to thrive.
3. **Have ethics**. Good business practices create good business value.
4. **Embrace technology**. Digital, automation and self-service technologies are creating change in talent management services.
5. **Rethink the HR lifecycle**. Address the future of automation and technology, analytics, service models, governance, etc. to ensure it is affording the organization value now and in the future. The future of talent management strategies are flexible, people-oriented and reliable.
6. **Champion the strategy**. Existing leadership teams should collaborate to prioritize, support and lead the success of the organization's talent management strategy.
7. **Assess and redesign talent management programs to support all levels of leadership in the organization.** Keep them people-centric through experiential learning to ensure they are ready to lead. These programs should support and measure cultural diversity, creativity and legacy, leadership and team excellence, brand equity, employee engagement and productivity, and revenue prosperity.
8. **Conduct assessments**. Align talent to future value. Develop individual career frameworks and leadership plans for effective insight, growth and success.
9. **Develop your workforce**. With scarcity in talent and the ever-growing desire for job security, it is critical organizations provide professional development programs to up-skill and reskill their workforce. Enabling the workforce to thrive ensures positive and lasting employee experience and engagement, resulting in positive productivity and profitability.

10. **Create a brain trust.** Develop an internal and external data source that attracts social interaction from employees, stakeholders and suppliers. Utilize the data to analyze, validate and identify innovation, disruption and key business information to support leadership decisions and corporate strategy.
11. **Redefine metrics.** Redefine traditional performance management to a coaching culture. Align metrics to mirror the organization's mission, vision, strategic initiatives, transformational goals and milestones, all while streamlining incentives and rewards accordingly.

Workforce Diversity as a Determinant of Sustainable Competitive Advantage

07/10/2021

Diversity is any characteristic, perspective, or approach to work, that different individuals bring to the workplace. It includes visible and non-visible characteristics such as:

- **Cultural**: Ethnic or national origin, sexual orientation, lifestyle, marital/family status, religion, language.
- **Physical**: Age, gender, race, colour, abilities, appearance, cognitive style, personality.
- **Socio-economic**: Education, profession, job function, social class.

When people feel respected and their differences are accommodated rather than ostracized, they are better able to realize their full potential and make a meaningful contribution to their workplace. An environment that is positive and motivating for its people increases worker satisfaction, productivity and retention. In addition, the broader perspective of diverse teams facilitates innovation and provides clients and customers with increased value.

Diversity in the workplace simply makes good business sense, and can bring about many benefits, including the following:

- Improved employee morale, performance, and productivity through equitable workplace practices that select, develop, and treat people based on merit and fairness.
- Improved marketing and customer service through better understanding and accommodation of diverse customer groups and their needs.
- Improved ability to attract and recruit top talent.
- Reduced risk of discrimination lawsuits as a result of more just and nondiscriminatory environment.
- Improved retention and cost reductions due to lower absenteeism and turnover.
- Improved corporate image, which generates public goodwill.
- Improved employee creativity, problem-solving and decision-making through effective management of diverse perspectives and “creative conflict”.
- Eligibility for government contracts for which minority or gender-balanced businesses are given preference.