

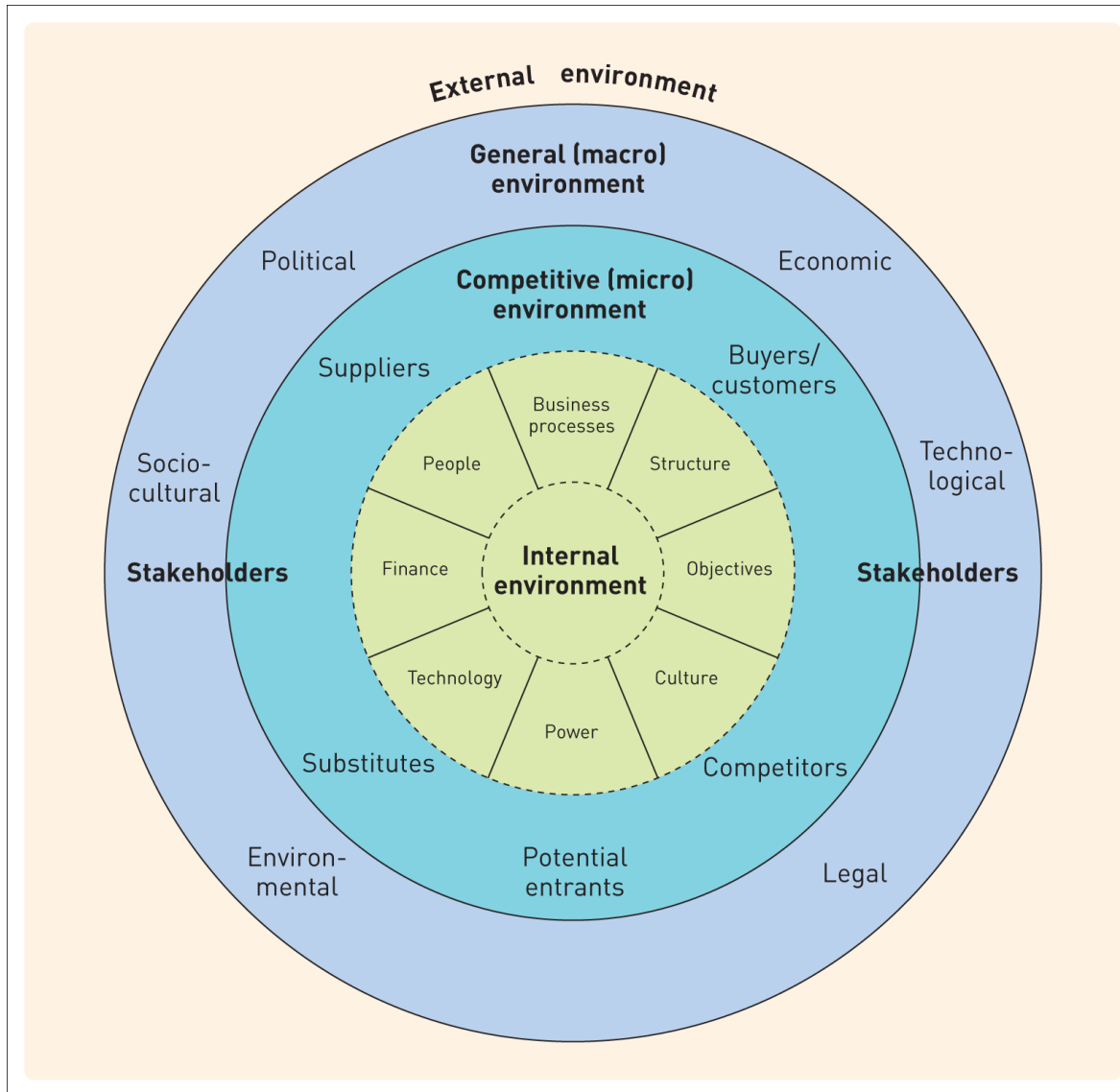
EXTERNAL AND INTERNAL ANALYSIS



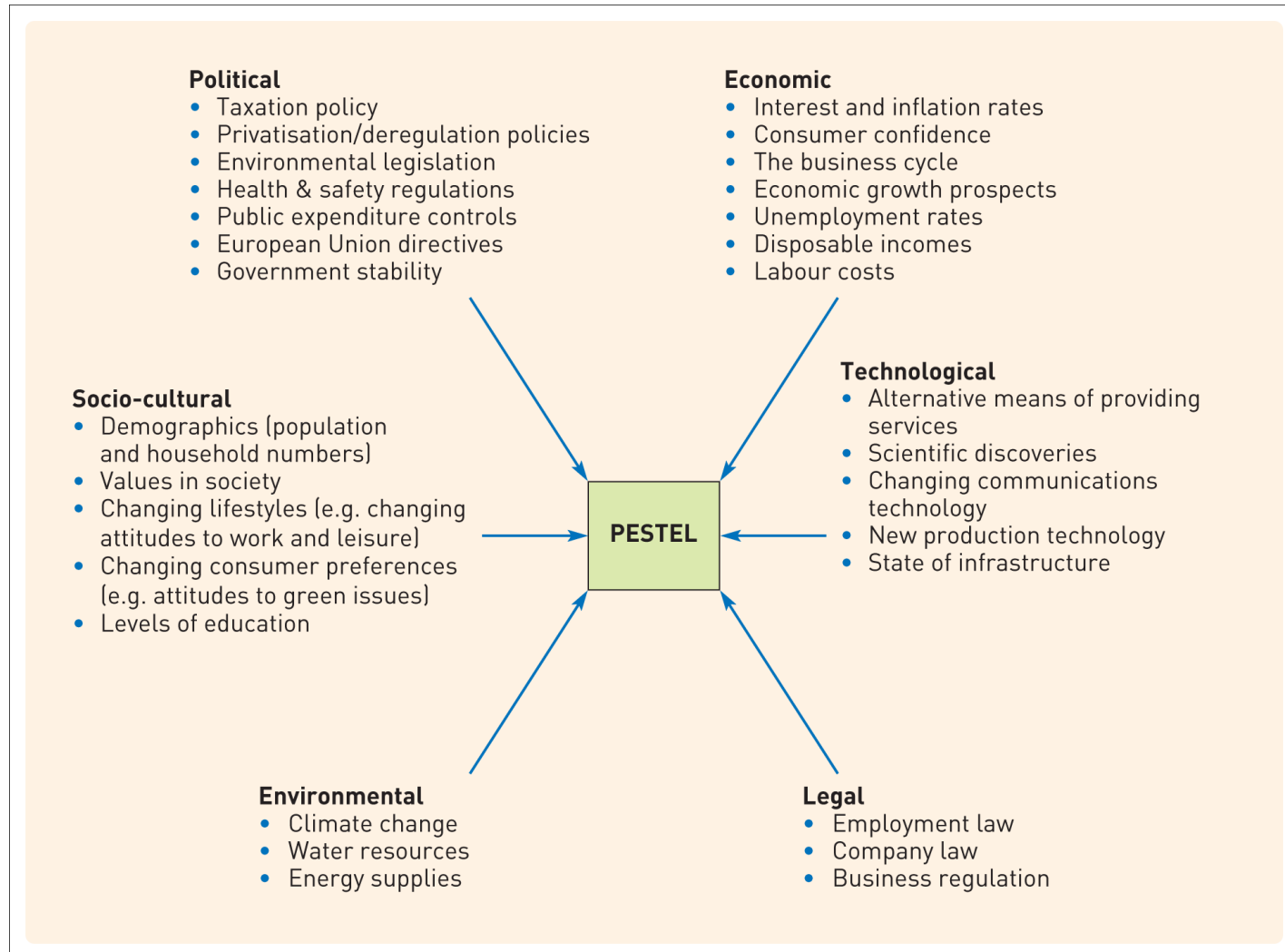
UNIVERSITÀ
DEGLI STUDI DI TRIESTE

Donata Vianelli

The External Environment



PEST(EL) ANALYSIS





Political and Economic (PE)

- Political
 - Governments shape what business can do
 - Taxation, pollution and regulation
 - Businesses lobby to influence government
- Economic
 - Wealth and stage of development
 - Wage levels, interest rates and consumer confidence
 - Managers compare relative attractiveness of countries for their business

Social and Technological (ST)



Social

- Demographic trends, family structures consumer tastes, 'Grown Up Digital'.

Technological

- Physical infrastructure, transportation, communications technologies
- e.g. convergence of data, video and voice technologies opening vast markets.



Environmental and Legal (EL)

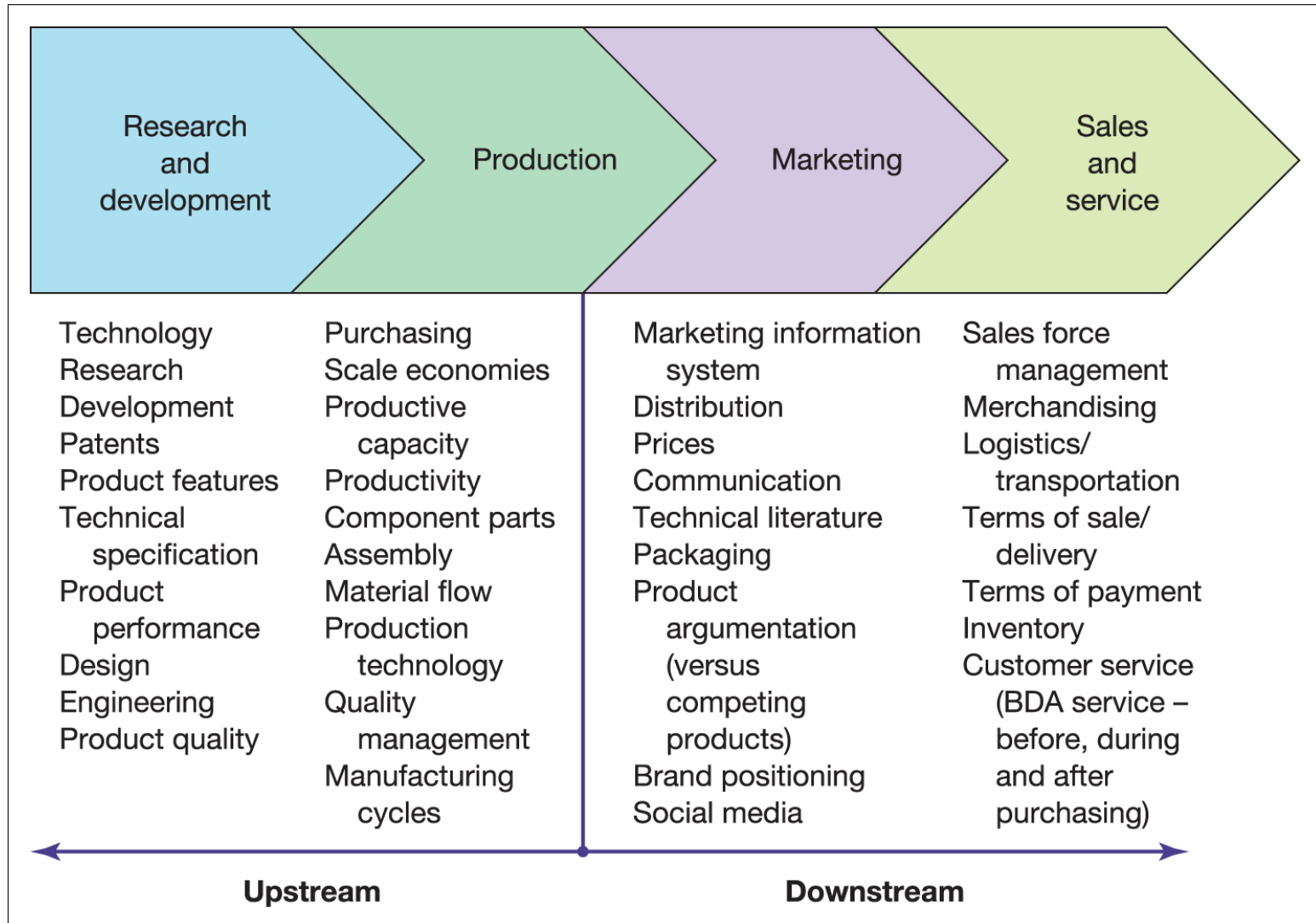
Environmental (natural)

- Natural resources, pollution and the effects of climate change on business (threats and opportunities).

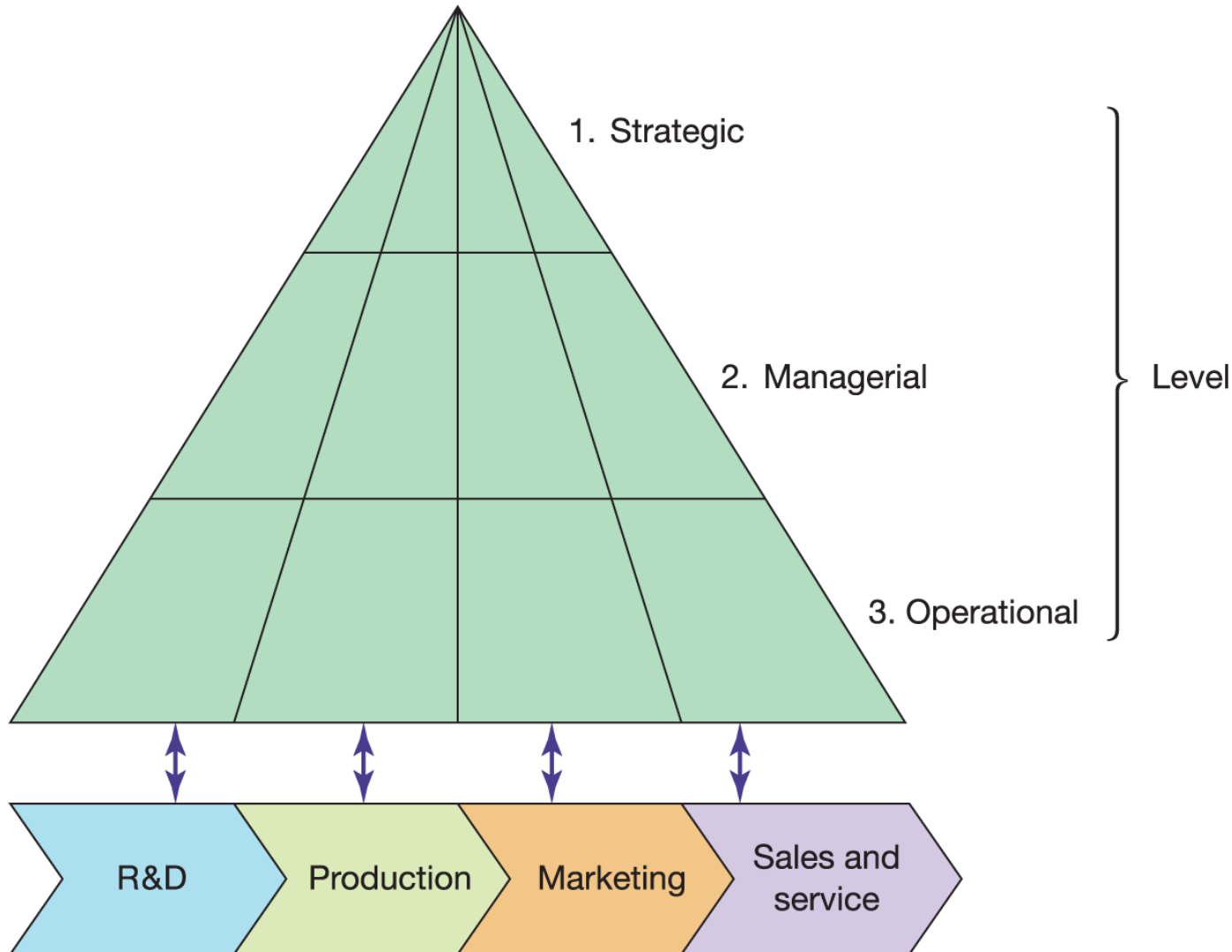
Legal

- The framework within which companies operate – employment, financial or governance regulations.

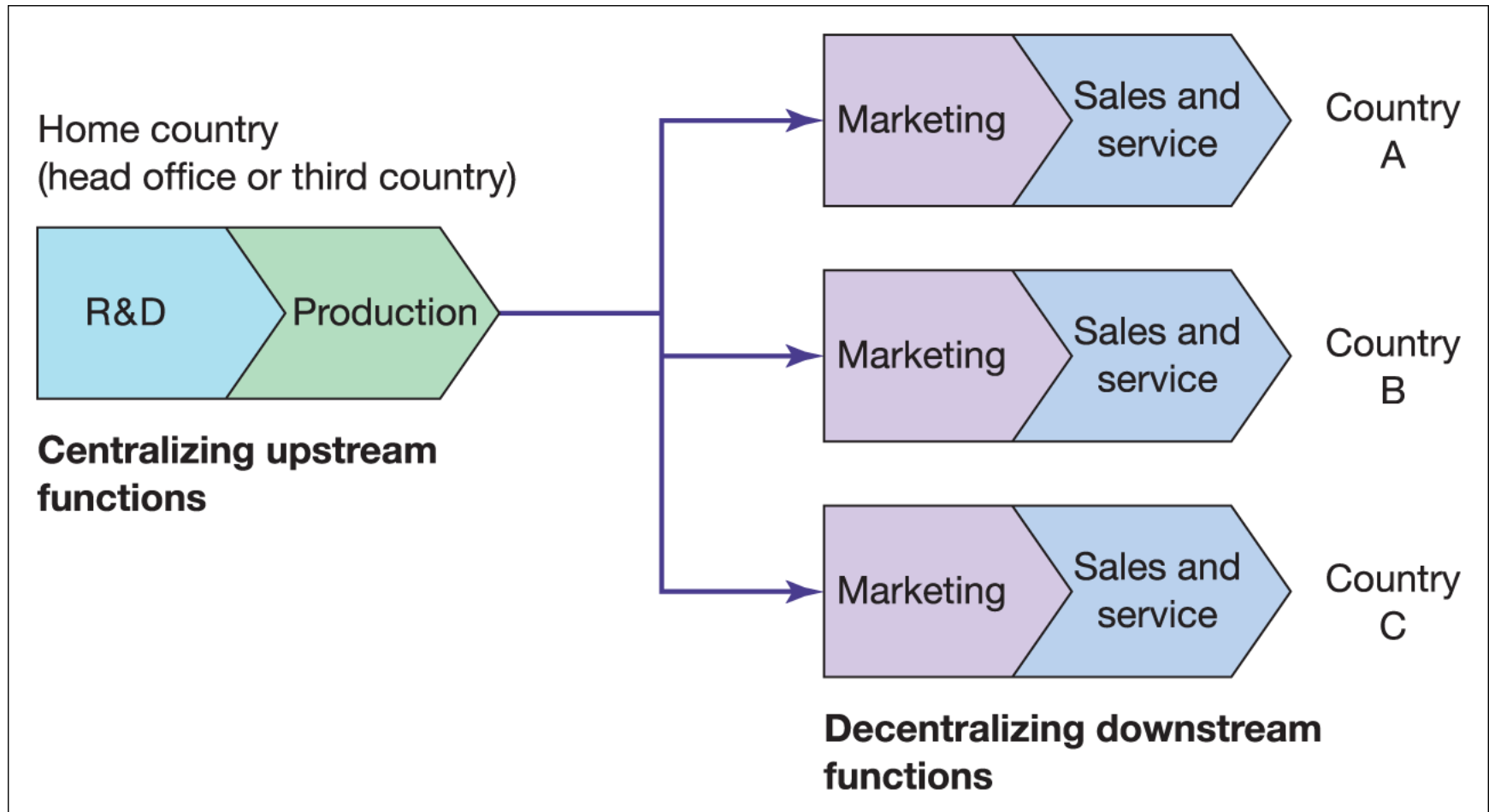
The internal analysis: The VALUE CHAIN



The value chain in relation to the strategic pyramid



The value chain in international markets: centralization versus decentralization



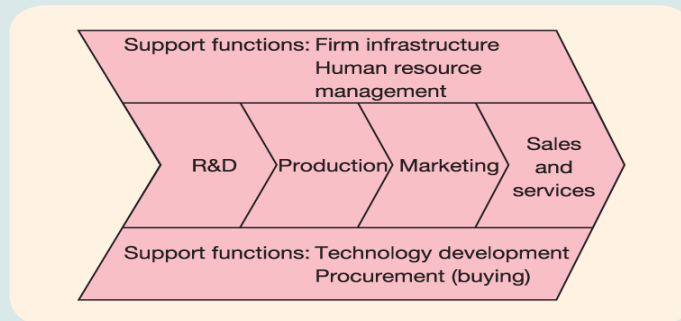
The traditional value chain versus the service value chain



Traditional value chain model

Value creation through transformation of inputs (raw material and components) to products.

Sequential process ('first we develop the product, then we produce it, and finally we sell it')



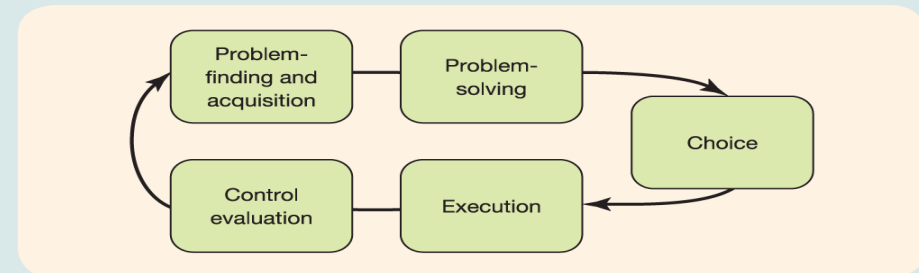
The traditional value chain consists of primary and support activities. **Primary activities** are directly involved in creating and bringing value to customers: upstream (product development and production) and downstream activities (marketing and sales and service). **Support activities** enable and improve the performance of the primary activities, e.g. procurement, technology development, human resource management and firm infrastructure.

Examples: production and sales of furniture, consumer food products, electronic products and other mass products.

Service value chain ('value shop') model

Value creation through customer problem-solving. Value is created by mobilizing resources and activities to resolve a particular and unique customer problem. Customer value is not related to the solution itself but to the value of solving the problem.

Cyclical and iterative process.

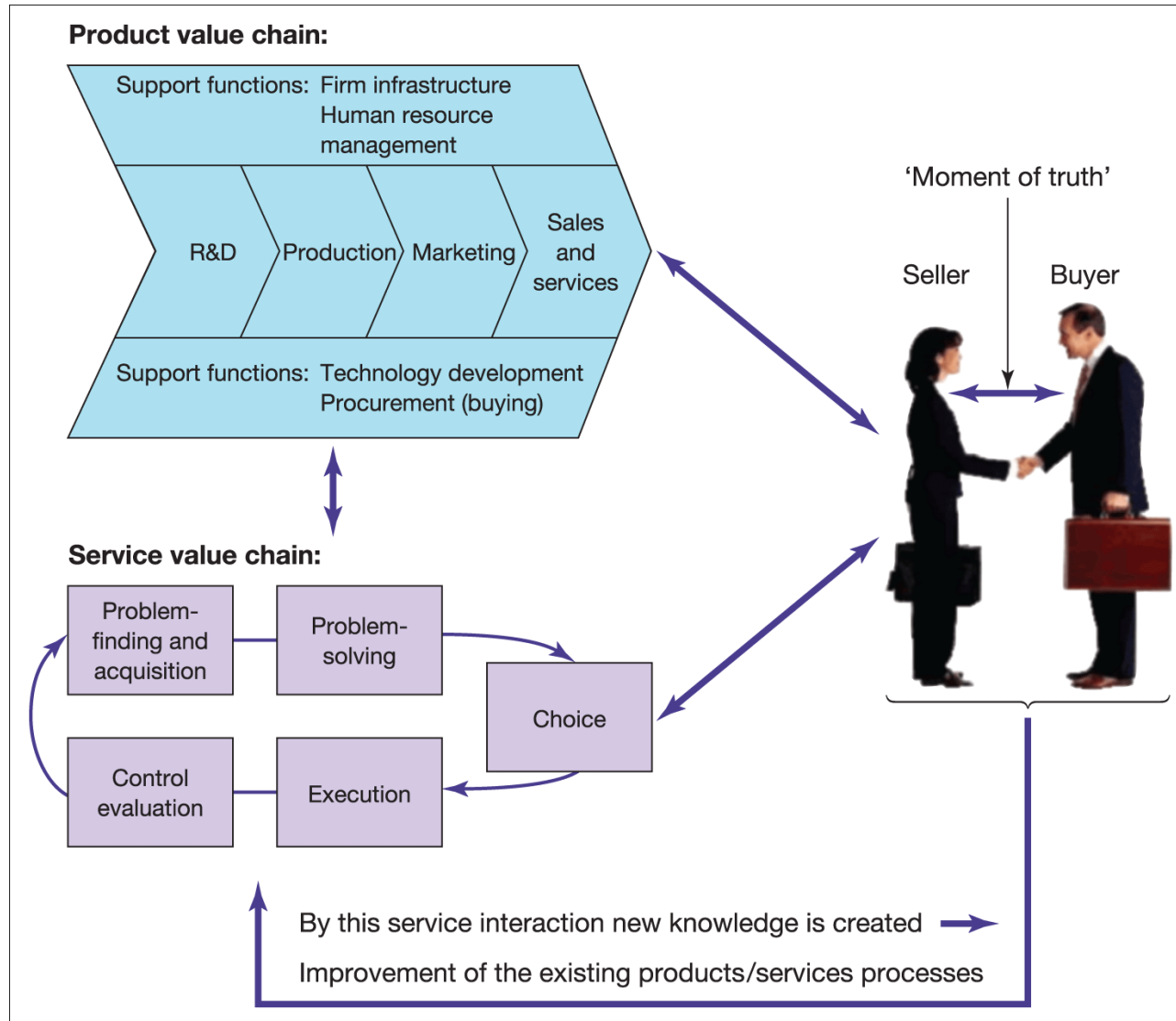


The **primary activities** of a value shop are:

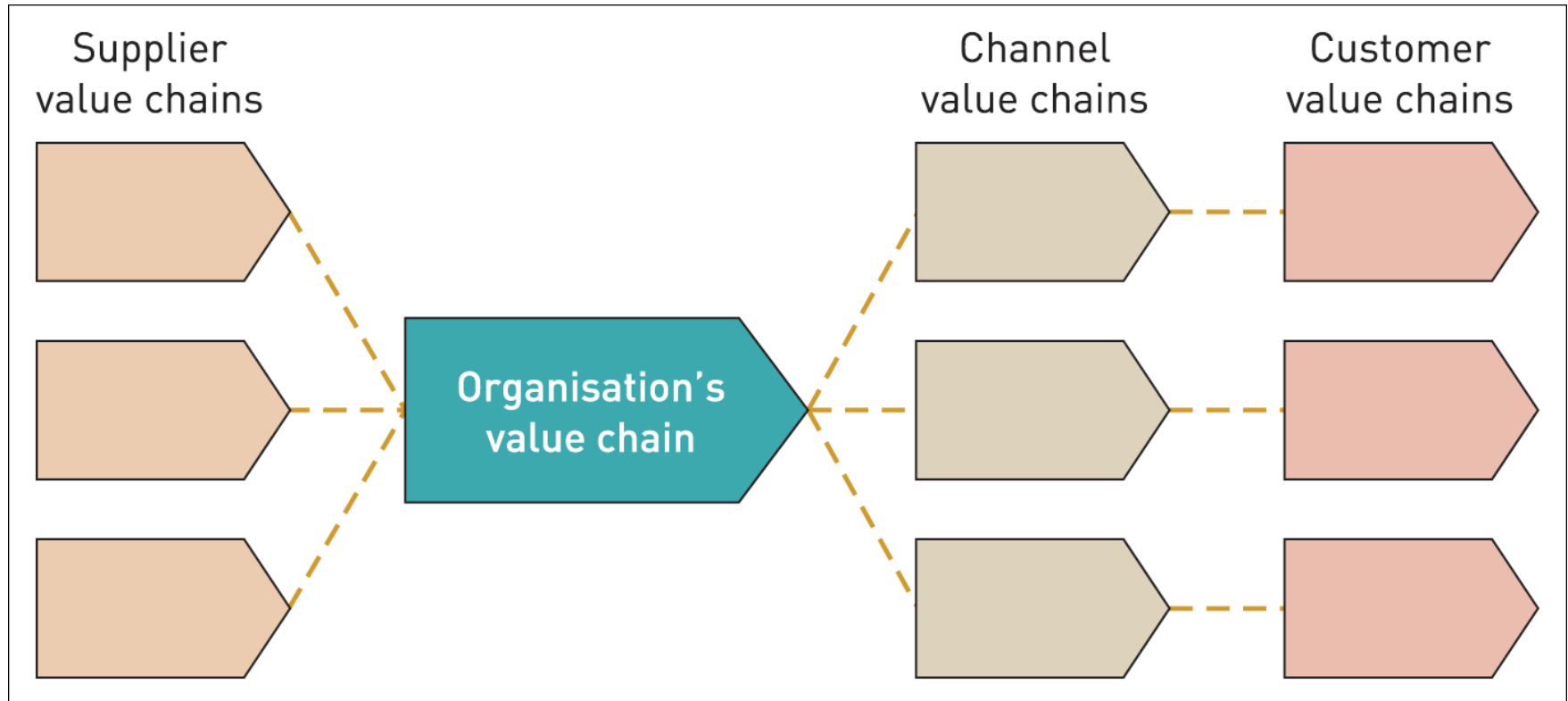
1. **Problem-finding:** activities associated with the recording, reviewing and formulating of the problem to be solved and choosing the overall approach to solving the problem.
2. **Problem-solving:** activities associated with generating and evaluating alternative solutions.
3. **Choice:** activities associated with choosing among alternative problem solutions.
4. **Execution:** activities associated with communicating, organizing and implementing the chosen solution.
5. **Control and evaluation:** activities associated with measuring and evaluating to what extent implementation has solved the initial statement.

Examples: banks, hospitals, insurance companies, business consulting services and telecommunications companies.

Combining the traditional value chain and the service value chain



The value network



Supplier value chains: for example, steel suppliers in the car industry

Channel value chain: for example, the value chain of a distributor / wholesaler

Customer value chain: for example, the value chain of a retailer (such as Carrefour)

SWOT analysis

See the example of
DAIMLER AG

<i>Potential strengths</i> Core skills Financial capacity Good customer perceptions High market share High productivity High service/product quality Low production costs Superior R&D High innovation record Good top management Proprietary technology Access to distribution Political protection	<i>Potential weaknesses</i> Lack of strategic direction Obsolete plant Weak IT systems Weak control systems Lack of finance Lack of management skills Weak marketing skills Lack of access to raw materials Poor access to distribution High costs Poor product quality Poor innovation record
<i>Potential opportunities</i> Entry to new markets/segments Diversification to new activities Vertical integration High growth prospects Export markets Weak competitors Government contracts Deregulation	<i>Potential threats</i> New low-cost competitors Technological substitutes Slow growth New regulatory requirements Bargaining power of customers/suppliers Adverse demographic shifts Vulnerability to recession Changing customer needs

Figure 1.9 SWOT analysis: potential elements for inclusion

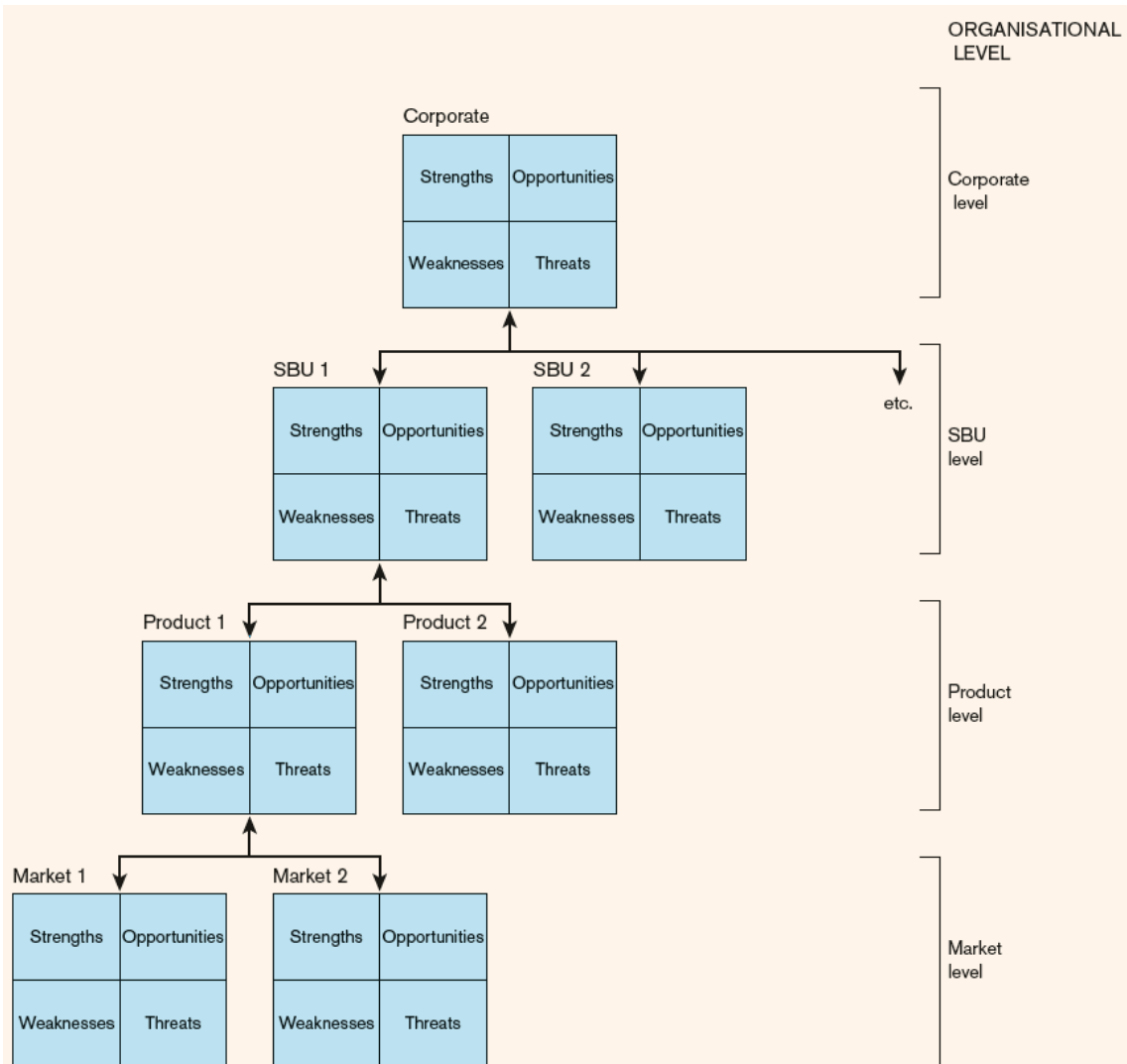
Internal Assessment (S&W)

- Management and organization
- Operations
- Finance
- Other factors

External Assessment (O&T)

- Societal changes
- Governmental changes
- Economic changes
- Competitive changes
- Supplier changes
- Market changes

SWOT analysis in different organizational levels



An example for:

www.unilever.com

Corporate Level:

- Unilever

SBU (Strategic Business Unit) Level:

- Food

- Personal care products

- Home care products

Product Level

- Frozen food

- Ice cream

- cheese

Market / Brand Level

- Viennetta

- Magnum

- Eskimo – Germany

- Algida - Italy

Figure 7.1

The link between SWOT analyses and different organisational levels

Strategic Links in the SWOT analysis



		Internal factors	
		Strengths (S)	Weaknesses (W)
External factors	Opportunities (O)	SO Strategic options Generate options here that use strengths to take advantage of opportunities	WO Strategic options Generate options here that take advantage of opportunities by overcoming weaknesses
	Threats (T)	ST Strategic options Generate options here that use strengths to avoid threats	WT Strategic options Generate options here that minimise weaknesses and avoid threats

SWOT analysis and competitive advantage

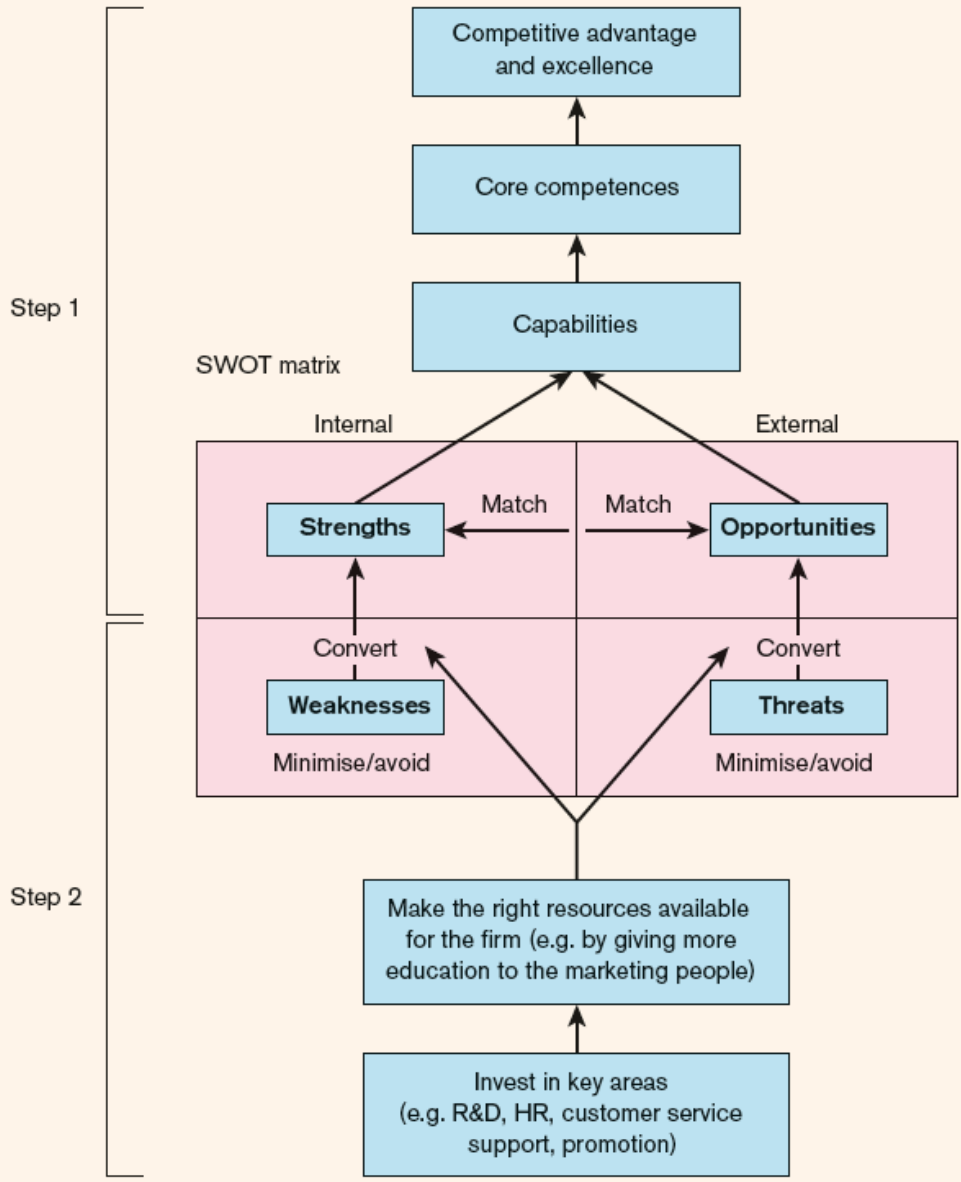


Figure 7.2

Turning the SWOT analysis into a strategic tool for gaining competitive advantage



Thank you

SOME EXAMPLES OF TEST QUESTIONS:

- 1) When analyzing a company, consider these elements: growing of new market segments, slow growth of the market, market attractiveness of emerging markets, low brand awareness, superior R&D, Lack of finance. Include these elements in a SWOT analysis
- 2) The 4 dimensions of a PEST analysis are:
 - a) _____
 - b) _____
 - c) _____
 - d) _____
- 3) Take the example of Nestlè (you can also chose another company on your choice). Illustrate what is the focus of your analysis when you carry out a SWOT analysis in different organizational level
- 4) The downstream activities in the value chain are:
 - a) Marketing, sales and services
 - b) R&D and Production
 - c) Production and Marketing
 - d) Definition of the vision and the mission
 - e) Resources and capabilities