

Strategic Business Management

STRATEGIC ANALYSIS - EXTERNAL ENVIRONMENT

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Three levels of planning process

1. understanding where we are **now**
 2. decision where we **want to go**
 3. plan **how** to get there
- analysis = first level (current situation)

External environment

- space where an organisation exists
- is composed of all the outside factors or influences that impact the operation of business
- influences the organization
- one-sided influence on the processes
- possibilities of how to co-create or to influence the environment are very small

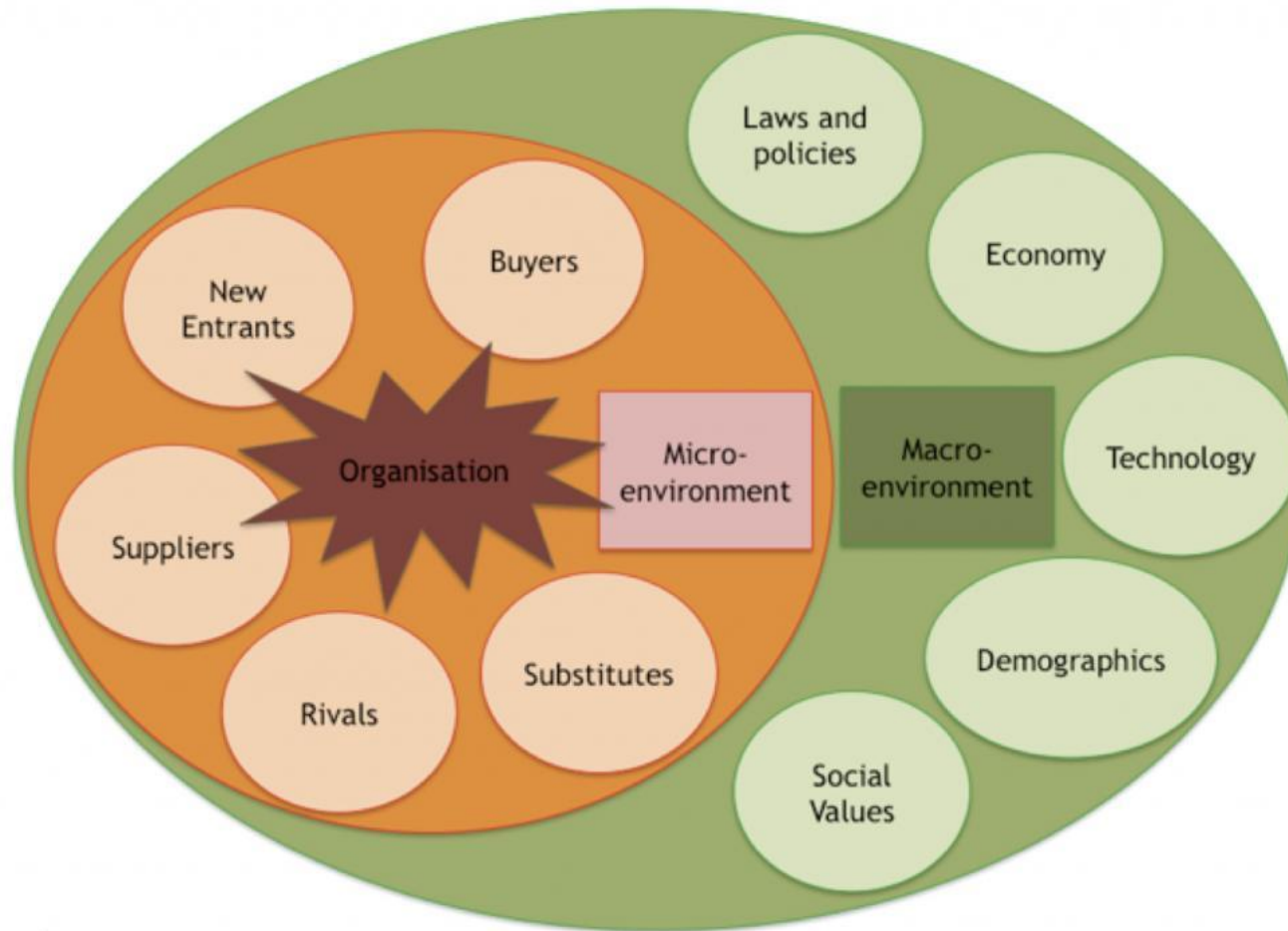
Strategic analysis of external environment

- process of monitoring and evaluating surrounding factors - opportunities/threats
- revelation of trends and their impact on the organization
- basis of strategic management

Divisions of external environment

- several approaches:
 - micro / macro
 - task / general
 - operating / industry / remote
 - micro / meso / macro

Micro / macro environment



Micro / macro environment

MICRO

= task

- direct bearing on the operations of the company
- intimately linked with the company

MACRO

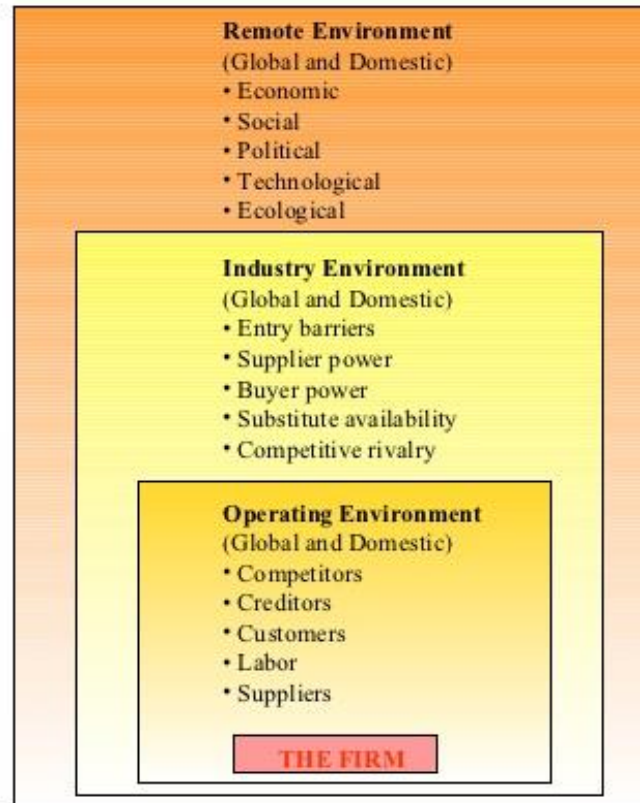
= general

- less uncontrollable
- one-side influence

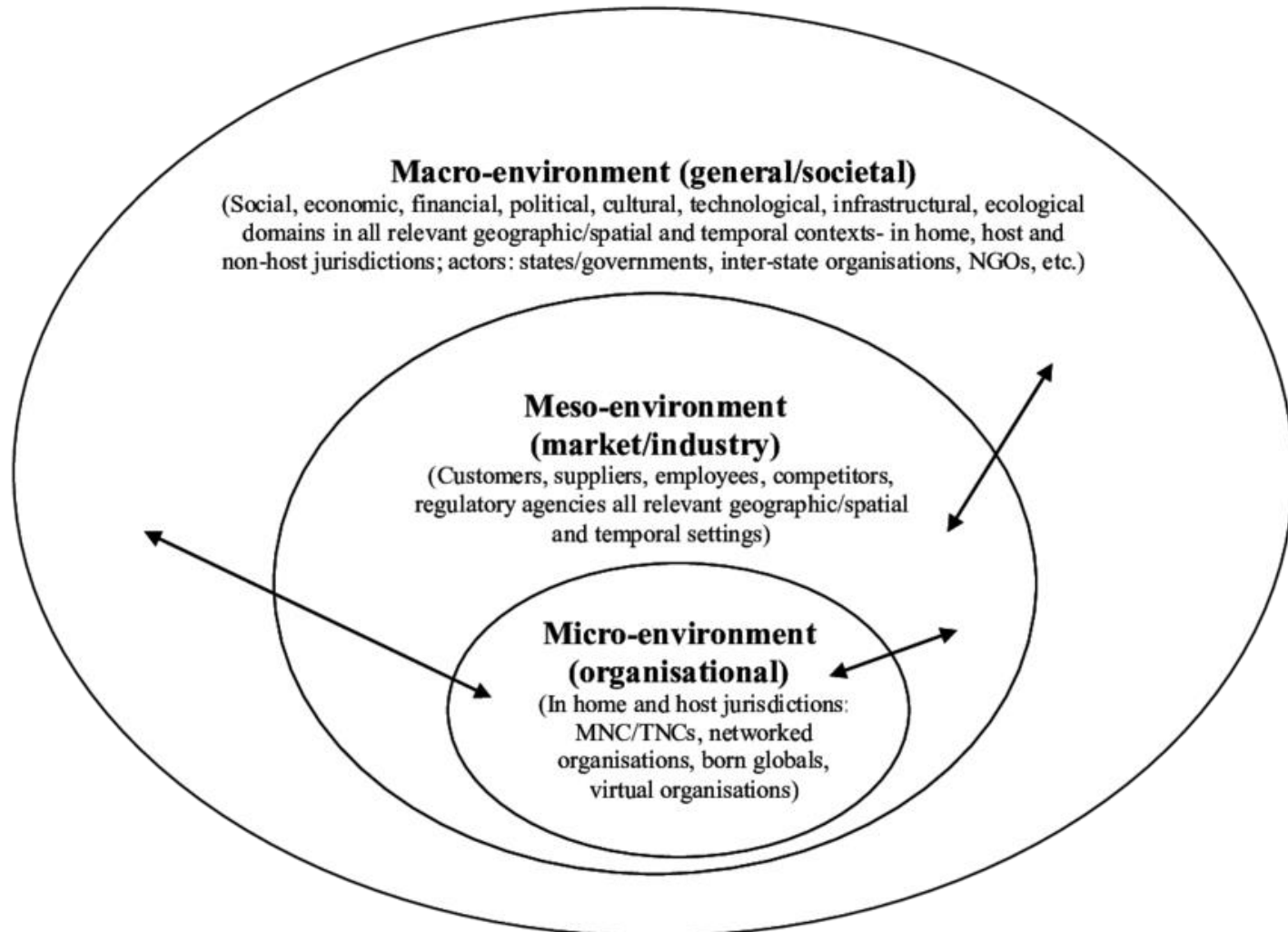
Task / general environment



Operating / industry / remote env.



Micro / meso / macro environment



Porter's Five-Forces Model of Competition



Porter's

Five-Forces Model of Competition

- simple framework for assessing and evaluating the competitive strength and position of a business organisation
- five forces determine the competitive intensity and attractiveness of a market

Porter's

Five-Forces Model of Competition

- helps to identify where power lies in a business situation
- identifies the strength of an organisation's current competitive position, and the strength of a position that an organisation may look to move into

Porter's Five-Forces Model of Competition

- Industry Competitors
 - number and capability of competitors in the market
 - many competitors will reduce market attractiveness

Porter's Five-Forces Model of Competition

- Buyers' Power

- an assessment of how easy it is for buyers to drive prices down

- Suppliers' Power

- an assessment of how easy it is for suppliers to drive up prices

Porter's Five-Forces Model of Competition

- Threat of Potential Entrants
 - unless incumbents have strong and durable barriers to entry, then profitability will decline to a competitive rate
- Threat of Substitutes
 - existence of alternatives reduces both the power of suppliers and the attractiveness of the market

PEST

- **P**olitical
- **E**conomical
- **S**ocial
- **T**echnological

STEP

- **S**ocial
- **T**echnological
- **E**conomical
- **P**olitical

SLEPT

+ **L**egal

SLEPTE/PESTEL

+ **E**nvironmental/**E**cological



PEST/STEP/SLEPTE/PESTEL

- is used to examine the broad environment in which the organisation is operating
- without further analyses, only a small strategic value

PEST/STEP/SLEPTE/PESTEL

- only relevant factors should be selected
- method for determining the long-term effects or predicting their occurrence in the future

Current trends?

- ...
- ...
- ...
- ...
- ...

What does this mean for our company ???