

11. Strategic analysis for entrepreneurs

Business models and finance
Strategic decisions for entrepreneurs

Successful enterprises are effective responses to both customer needs and their wider operating environment. These responses are guided by a strong strategic plan that in turn is informed by rigorous, honest, and actionable analysis of the company's internal factors and external influences. Strategic analysis points the company in the right direction and guides the steps it takes to outperform its competitors and reach its goals.

Strategic analysis for enterprise

A strategy is a plan of action to achieve an aim: it describes how you will focus your attention, efforts and resources. To analyse something means to break it down into smaller parts to understand its meaning.

Strategic analysis describes how an enterprise researches and evaluates its internal and external environments to understand the opportunities and threats it faces and identify how best to respond.

Your external or **operating environment** includes everything that might affect your business, from the wider economy to social, political, and technological factors, customer markets, and competitors. Understanding how these are now and how they are changing informs your:

- **product:** what you create to meet customer needs
- **operations:** how you allocate and manage your resources
- **manufacturing:** what you make, how much, and how
- **finance:** your pricing, spending, and investment decisions.

Together, these describe your **internal environment**: what you do and, importantly, how you do it, to best deliver your goals for growth and financial success.

Strategic analysis uses primary and secondary research sources:

- **primary research:** your own market research or internal assessments, only available to you; for example, internet or phone customer surveys or staff interviews
- **secondary research:** free or paid-for research from internet searches, industry publications, consultancies, or research companies, available to anyone; for example, market trends.

Your research sources must be reliable and give you enough information to make informed



decisions, but not so much that they cause 'decision paralysis', where over-analysing can prevent any decisions being made.

A clear summary of your findings will provide deep understanding, challenge your assumptions, and identify 'blind spots' in your thinking or awareness. This guides your **business strategy**: your plan for how you will organise and run your business to outperform your competitors and achieve success.

Check your understanding:

1. Suggest how strategic analysis might help a startup or scaleup make informed decisions about hiring and investment in new employees. For example, how can it guide who they should hire?
2. Give reasons why primary research can help an enterprise outperform its competitors. For example, how can it support innovation?

SWOT analysis for enterprise

A SWOT analysis helps you ask structured questions about your internal strengths (S) and weaknesses (W), and your external opportunities (O) and threats (T).

Example questions might include:

Internal	
<p>Strengths</p> <p>What do we do well? Eg exceptional quality control</p> <p>What are our unique resources or approaches? Eg intellectual property (like a patent), a strong innovation and design team</p> <p>What would competitors say we do well? Eg excellent project management and customer service</p>	<p>Weaknesses</p> <p>What could we do better? Eg build brand awareness and reputation through better marketing</p> <p>What resources or approaches do we need to improve? Eg build technical and sustainability knowledge in sales team</p> <p>Where might competitors say we are weak? Eg improve product pricing to be more competitive</p>
External	
<p>Opportunities</p> <p>What opportunities are available to us? Eg low interest rates make investment in manufacturing cheaper</p> <p>What market trends or changes could we take advantage of? Eg customer desire for greater sustainability</p> <p>How can we turn our strengths into opportunities? Eg invest in designing more sustainable products and manufacturing processes</p>	<p>Threats</p> <p>What threats could harm us? Eg competitors could respond more rapidly</p> <p>How are our competitors responding to market trends or changes? Eg by launching more sustainable products at attractive prices</p> <p>How might our weaknesses harm us? Eg poor brand awareness and technical sales knowledge could limit growth</p>

An effective SWOT analysis is honest and actionable. This means it does not hide or overlook problems and it gives you clear steps to follow that lead to success.

Check your understanding:

3. List some benefits of diverse perspectives and wide collaboration when producing a SWOT analysis, giving examples.
4. A SWOT analysis can be carried out at any scale, from an individual product or product line to the whole organisation. Suggest examples of what a SWOT analysis might explore at different scales.

PESTLE analysis for enterprise

PESTLE analysis helps you ‘unpack’ external opportunities and threats into distinct but connected areas of influence: **political (P), economic (E), social (S), technological (T), legal (L), and environmental (E)**. External factors change at different rates so PESTLE analyses can look ahead over short, medium, and long timeframes.

Factors	Example opportunity question	Example threat question
Political government policies that affect tax, trade, employment, funding	How will the government's sustainability policy create or expand our product markets?	How will trade tariffs add to our materials or export costs?
Economic spending, inflation, employment, exchange rates	How could the favourable exchange rate help us expand in foreign markets?	How might low unemployment affect our costs to hire and retain the best employees?
Social demographics, customer attitudes, buying patterns, ethics, trends, cultural influences	How could we create new products to serve an ageing population?	How will the public's perception of cars affect our growth?
Technological innovation, research, intellectual property (eg patents), life cycles	How could we use modern or smart materials to improve our products?	How will a competitor's new patent limit our options for innovation?
Legal legislation (eg health and safety, employment, trade, environment)	How can we use new environmental legislation to promote our sustainability?	How does new health and safety legislation affect how we manufacture?
Environmental climate change, sustainability, pollution, waste reduction, renewables	How can we turn our low-waste production into customer value and sales growth?	How will new pollution controls affect our waste management?

With so many factors to understand, it can be difficult to identify what matters the most. One solution is to assign values to the potential impact (-3 to +3) and likelihood (1-3) of each issue to produce a simple positive or negative **rating**, making it easier to identify and act on priorities. For example:

New government sustainability policy: impact +3 x likelihood +3 = +9 → a strong opportunity

Low future unemployment: impact -1 x likelihood +2 = -2 → a weak threat

Check your understanding:

- Suggest ways in which the different factors in PESTLE may relate to or influence one another.
- What internal factors or activities are relevant when considering how to respond to PESTLE analyses over different timescales?

Case study: Stop, pivot, go, or grow?

Background

FutureMake was launched three years ago to produce innovative modelling software that designs ultralightweight organic frames and structures for robots and automation that can be 3D-printed from laser-sintered metal powder.

After a successful launch and rapid early growth, the company is considering how to move forward as its software offering, the market, and its competitors all evolve. Its options include the following actions.

Stop	Stop selling the product and close the business.
Pivot	Change the business to focus on automation-efficiency software.
Go	Continue to sell the product but do not attempt to grow the business.
Grow	Invest in the business to support larger sales and possible diversification into automation-efficiency software.

The founders have worked with senior employees to complete a SWOT and PESTLE analysis, and must now organise and interpret their findings.



3. Explore the likelihood and impact of each PESTLE issue to identify the most important opportunities and threats.
4. Use your conclusions to choose the best action from the table: stop, pivot, go, or grow.

Use the 'Save screen shot' function on the interactive at each stage to record and present your ideas.

Extend your learning

1. Organise the statements into strengths and weaknesses, opportunities and threats.
2. Prioritise the organisational strengths.

- Research Porter's Five Forces, a complementary approach to analysing an enterprise's competitive environment.

Answers: Check your understanding

These are example answers – your own suggestions may differ.

Strategic analysis for enterprise

1. Strategic analysis can help a startup or scaleup make informed decisions about hiring and investment in new employees through identifying:
 - where more experience, skills, or capacity are needed across the enterprise
 - what positions competitors are hiring for, where publicly advertised
 - salary expectations for these positions.
2. Primary research can help an enterprise outperform its competitors because it:
 - can ask and answer specific questions (whereas secondary research may provide more general information or data)
 - can focus on the internal and external factors most relevant to the enterprise
 - provides information and insights that are not available to competitors
 - identifies opportunities for innovation in design or operation that are led by customer need.

SWOT analysis for enterprise

Answers 3 and 4 explore how SWOT analysis can benefit any startup enterprise:

3. When producing a SWOT analysis, benefits of diverse perspectives and wide collaboration include:

- viewpoints and experiences from all departments and levels of seniority, not just those of the leadership team
 - alternative perspectives that may challenge the leaders' assumptions and views
 - information and ideas of which the leadership team may not be aware.
4. A SWOT analysis might explore:
 - product: how well the product meets customer needs compared to competitors' offerings, and how these needs are changing
 - product line: opportunities to expand the line and capacity to do so
 - organisation: how best to compete against other companies' innovation, sales, or project management capabilities.

PESTLE analysis for enterprise

5. Examples of how the different factors in PESTLE may relate to or influence one another include:
 - political decisions can affect the economic, legal, and environmental factors
 - environmental challenges can spur technological innovations and social changes
 - social changes may influence political decisions.
6. When considering different timescales, internal factors might include the time needed to:
 - hire and train new employees
 - scale up by investing in new production capacity
 - research and develop new technologies and products
 - plan and deliver improvements to systems or processes.

Answers: Case study

The interactive draws from a larger selection of strengths, weaknesses, opportunities, and threats to randomise the statements you were given. As well as giving every learner a unique set of statements to consider, this reflects how different people may identify different strengths, weaknesses, opportunities, and threats in their analysis and, as a result, come to a different conclusion about the right decision to stop, pivot, go, or grow. This emphasises the need to include multiple perspectives in any SWOT analysis, to see the bigger overall picture.

The complete set of strengths, weaknesses, opportunities and threats is as follows.

Strengths	Weaknesses	Opportunities	Threats
Talented programming team	High payroll costs	Trade policy supports exports	General election may mean uncertainty
Deep customer understanding	Small sales team	Growing robotics and automation markets	Low global economic growth
Focused, capable leadership team	Expensive product pricing	Online shopping increasing	Automation viewed as reducing jobs
Patented modelling algorithms	Little automation-efficiency knowledge	AI could improve software	Automation providers have own software
5-star customer feedback	Low profitability	Safety legislation favours automation	Unions dislike automation
Excellent understanding of laser sintering	No long-term growth strategy	Automation can help sustainability	High energy use in sintering

Explore the interactive

Compare the statements you organised and considered with those of other learners and how these influenced your decision.

Try using the interactive again: does a different set of strengths, weaknesses, opportunities, and threats change your understanding and decision?