



Seven Stroke Strategic Analysis for Business Improvement

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Abstract

Business strategic analysis is an important aspect for any organization, which is looking for long-term market presence. It is a stepwise process of conducting market research, external and internal environmental analysis and making planes to sustain in the same market, with business expansion by cracking down the present competitors, to increase the shares by some folds or to enter into new segments to develop new capabilities and enriching economic health. We have seen several strategic analysis tool kits like SWOT analysis, PEST analysis, Porter's five forces analysis, four corner's analysis, value chain analysis etc. Seven-stroke strategic analysis is an easy toolkit, which encompasses the value and essence of all earlier strategic methods. Seven-stroke Strategic Analysis is an easier way, as it can be made and understood with precision and accuracy by teamwork of organization from top-level management to bottom level work force to make a better work culture.

Keywords: Business strategy, strategic analysis, business strategic planning, strategic management, seven stroke business analysis, business challenges, strategic analysis toolkits.

Introduction

Every organization is at hunt to increase their market share to make maximum profit. For the same, some strategic policies and planning are required which can be made only if we know what are our business challenges for making a long sustenance in the market. Strategic analysis is an important aspect for any organization, by using which they can understand the internal and external business environment and can have better knowledge of their rivals and business challenges. Business strategy is a combined approach for strategic analysis followed by strategic planning and finally ensuring it through strategic management.

Seven-stroke strategic analysis is a combination of known strategic tool kits SWOT analysis, PEST analysis, Porter's five forces analysis etc.

Traditionally only the top-level management does strategic planning but with such a tradition work force never gets to know the importance of the policies made, as they are not involved in making and framing of such policies. In addition, it may also possible that workforce cannot comply with the strategic planning because of their capability limitations. Seven-stroke strategic analysis is the combined framework with feedbacks of limitations and capabilities of each department of an organization.

Literature

Business strategic analysis has become an important part of business ever since the world war, which has dramatically paced up the industrialization and with that, has created a different war in business front in terms of market share and competition. To understand the seven stroke strategic analysis it very important to understand some facts and tools of business strategy.

Business Strategy: Business strategy is the set of decisions taken by an organization, which determines and executes its objective and purposes. It leads to the framing of the principle policies and plans for achieving those goals and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities¹.

It is a stepwise process, where every step has its own importance. The first step of business strategy is Strategic Analysis, which identifies the present status and business challenges. Based on organization's present status and business challenges a strategic planning is drafted by top-level management and to ensure that the running path of organization is in accordance with strategic planning, strategic management is done.

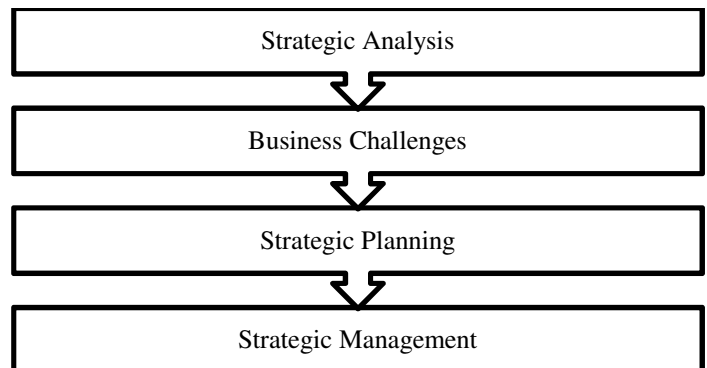


Figure-1

Block Diagram Business Strategy

Strategic Analysis: It is the first phase towards strategy making, in this all business governing factors are analyzed for a company with respect to present market scenario.

Strategic Planning: This method helps to make business plan for coming years by analyzing business-governing factors. As per Goodstein, Nolan, and Pfeiffer "Strategic Planning is the process by which the guiding members of an organization envision its future and develop the necessary procedures and operations to achieve that future"².

Strategic Management: It is a systematic approach of measuring the performance of the organization and making the desired amendments in the policy for making a clear path towards organization's visions. As per Gluck, Kaufman, and Walleck, strategic management is a system that links strategic planning and decision making with the day-to-day business of operational management³.

"Strategic management is not a clean, step by step process. It is not linear, but a messy, iterative process that requires hard work and dedication from everyone in the organization, to move it towards the future. It represents a new focus for the organization; a focus on a compelling vision of the future"⁴.

Strategic management is an important aspect of business and its existence in the market. In this world of competition, where for every product there exist hundreds of options in front of the customer. There comes the importance of strategic analysis, which makes the scope of business run in marketplace⁵.

Traditional Strategic Tool kits: There are several tool kits, which are in use by analysts for strategic planning and analysis of any firm. Some of which are considered in following paragraphs

SWOT Analysis: It is very simple strategic tool. It helps to understand the strengths, weaknesses, opportunities and threats involved in a business action.

SWOT analysis is done by defining the objective of a business action and then finding out the internal and external factors that plays crucial roles for achieving that business objective. Strength and weakness are internal factors while opportunities and threats are external factors⁶.

Strengths: It defines the core capabilities of an organization where it can stand out of the crowd present in the business niche. It answers the following questions: i. What does your organization do better than others do?, ii. What are your unique selling points?, iii. What do your competitors and customers in your market perceive as your strengths?, iv. What is your organizations competitive edge?

Weakness: It defines where an organization lags from the crowd present in the business niche. It answers the following

questions: i. What do other organizations do better than you do?, ii. What elements of your business add little or no value?, iii. What do competitors and customers in your market perceive as your weakness?

Opportunities: It defines and identifies the profitability of the changing environment of business niche for an organization. It answers the following questions: i. What political, economic, social-cultural, or technology changes are taking place in the business niche and how it could be favorable to you?, ii. Where are the current gaps in the market or unfulfilled demand where you can enter?, iii. What innovation could your organization bring that is new and acceptable to the market?

Threats: It defines and identifies the business environmental changes that can effect an organization negatively. It answers the following questions: i. What political, economic, social-cultural, or technology changes are taking place that could be unfavorable to you?, ii. What restraints you to excel in the business place?, iii. What your competitors are doing, could it negatively affect you?

PEST Analysis: PEST analysis stands for political, economic, socio-cultural and technological analysis. It is a specialized method to completely define the external; macro environment in which an organization exists. As the name suggests it helps us to understand the political, economic, socio-cultural and technological environment of an organization. It shows the trends of market growth or decline, portrays the present status in the market, and gives direction for business⁷.

Political Factors: This includes government regulations such as employment laws, environmental regulations, tax policy, trade restrictions and political stability.

Economic Factors: This includes the cost of capital and purchase power of an organization, economic growth, interest rates, market inflations and currency exchange rates.

Socio-Cultural Factors: This includes the social factors like population growth, age, demographics and inclination towards technology.

Technological Factors: It includes barriers to entry, make or buy decisions and investment in innovation, such as automation, investment incentives and the rate of technological change.

PEST analysis is very good for external macro environmental scanning but has its own pros and cons.

Porter's Five Forces: It is one of the most popular methodologies for strategic analysis. It takes into consideration five forces that shape strategy for any organization. It helps to understand where power lies in a market condition.

Porter's five forces give better idea to understand whether new products or services will be profitable or not. It clearly portrays our strength in market and helps to identify areas to improve⁸.

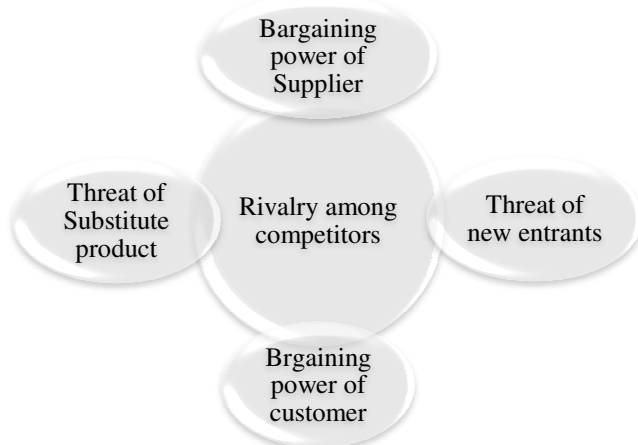


Figure-2
Porter's Five Forces

The five forces are

Supplier's Bargaining Power: It shows how the company is dependent on supplier and its power to bargain. It has important effect on business line. As company has to agree to the price hike demanded by supplier, as they are dependent on that particular supplier because: i. The uniqueness and quality of product or service offered by the supplier. ii. The relative size and strength of the supplier is beyond the scope of one industry. iii. The cost of switching from one supplier to another is very high⁹

Customer's Bargaining Power: It shows the how the customer is powerful in bargaining the rate of any brand. It depend on the following aspects. i. Number of options available in the market, ii. The number of buyers in the market, iii. The importance of each individual buyer to the organization, iv. The cost to the buyer of switching from one supplier to another.¹⁰

Rivalry among the Competitors: It shows the share and strengths of the competitors. If too many competitors are available in market, it makes no economic value and makes the market less attractive. The competition, changes based on sector development and diversity. In addition, it is an analysis of the number of competitors, products, brands, strengths and weaknesses, strategies, market shares¹¹.

Threat of Substitutes Products and Services: Presence of substitute product in the market increases the probability of customer switching to other products. The substitute products are alternative options for supply in the market. These products remain as a threat due to changes in the state of technology or to the innovation. These products often have a better price/quality and come from sectors with higher profits. These substitute

products can be dangerous and the company must anticipate coping with this threat¹².

Threat of New Entry: If the market is profitable, it attracts new entrants and giants of other sector, which can cause a substantial loss in terms of economic stability. Unless incumbents have strong barriers to make their sector a safe place to play, for example, patents, economies of scale, capital requirements or government policies¹³.

Seven Stroke Strategic Analysis

Seven-Stroke Strategic Analysis is a tool kit to find out the business challenges for a firm, thus helping to draft strategic planes to make the organization attain new competitive heights through a dedicated process called strategy management. At present, we are familiar with several tool kits like SWOT analysis, PEST analysis, and Porter's five forces analysis. Those are very beneficial for strategy planning.

Seven-Stroke Strategic Analysis is a tool kit, which covers all aspects of tool kits mentioned above with greater flexibility, detail, and accuracy as it takes consideration of the input of every department and workforce to identify their limitations, while drafting any strategic plan. Traditional tool kits are just portraying the external challenges a firm faces, but seven-stroke strategic analysis also considers the internal challenges a firm faces, thus gives a clear picture to draft a plan considering their capabilities and limitation.

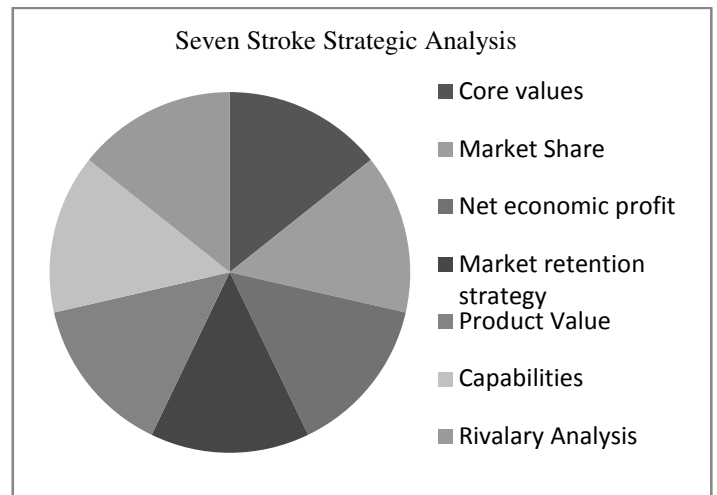


Figure-3
Seven Stroke Analyses

Core Values: Core Values are the building block of any organization on which survival and growth is dependent. Core Values of any organization lies over four pillars Mission, Vision, Work Policy and Work Culture. All of the blocks seems to be same, but in actual organizational essence each of them have a different meaning yet a common objective i.e. betterment of the organization.

Following figure illustrates the core value as foundational pillars.

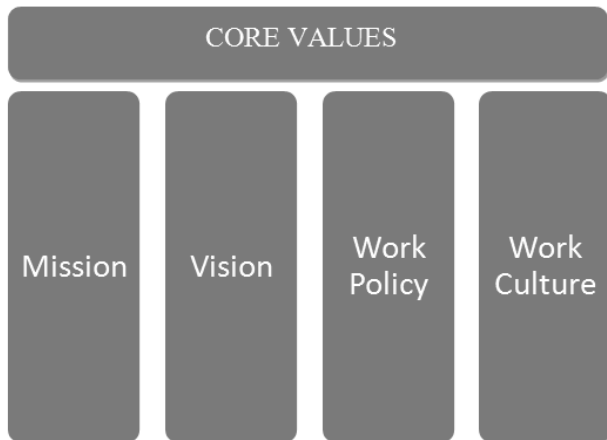


Figure-4
Building Blocks of Core Value

Mission: It is the purpose of doing business, it answers the question, How do we do? Where we need to be?

It is a generalized and standardized statement of an organization's main purpose. It also includes the way in which it seeks to achieve them. As per diffen.com "It lists the broad goals for which the organization is formed. Its prime function is internal; to define the key measures of the organization's success and its prime audience is the Top Level Management, Team and Stockholders rather say a complete workforce"¹⁴.

Vision: It states about the future, i.e. where we want to be. As per diffen.com "It lists where you see yourself some years from now. It inspires you to give your best. It shapes your understanding of why you are working here." It is the long-term goal, which encompasses the actual essence for working¹⁵.

Work Policy: They are strategically made benchmarks or paths, which are made in accordance to Mission and Vision of any organization. In general, they are regarded as the rules and regulation of a certain area that brings all employees to frame an organization. It is very important to make an optimum work policy to utilize full out of the deployed work force¹⁶.

Work Culture: It is the way the workforce of any organization follows the set policies. It shows the values and behaviors that contribute to the unique social and psychological environment of an organization. Good example of a work culture is where every employee works from his or her soul to make them as an asset to the firm; it will come only when a workable environment is present. Making an excellent work culture is very important for success of any firm. It's value can be understood by the following fact "Google, which is one of the most successful organization in the world has a specialized

designation called Chief Cultural Officer" who is responsible to retain Google's cultures like no hierarchy, happy employees, and a flat organization. Google's tremendous success can be attributed to its unique but excellent work culture¹⁷.

The core value plays an important role in strategic analysis as it shows the capability of an organization to stand up and challenge the competitive world. In analysis of core value, we try to find the loopholes in our mission and vision that deviates us from actual path. In addition, we scrutinize the internal environment of organization to understand, what actually stops our work force to perform better and to understand the integrity and harmony among all the employees.

Market Share: It is the percentage of hold one organization, is having over the market in terms of the product or service they offer in current fiscal year. It is a comparison of an organization with respect to its competitors in terms of market reach. It is represented by a pie chart. Consider the following example.

Rust Prevention market is very emerging sector that has several established global giants making it very competitive market. Indian market is ruled by company-x with around 40 % of share followed by company-y with 30 % of share and company-z with 20% of share. Now the following data is represented in form of a pie chart.

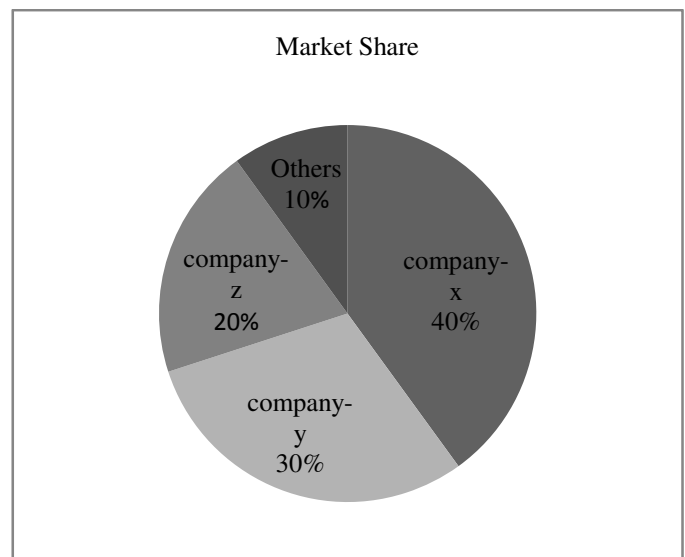


Figure-5
Mock Pie Chart Representing the Market Share of companies in Rust Preventive Business

Net Economic Profit: It is the percentage of profit earned over the investment made. In actual terms, it shows how much investment we have made to earn a particular profit. In business term, business profitability is just not the amount exceeding the cost price. It can be better understood by taking an example,

some company x have an annual expenditure of 10 billion dollars and annual profit 200 billion.

$$\text{Net Economic Profit} = \frac{200}{10} \times 100 = 2000$$

Some company y with annual expenditure of 20 billion and annual profit being 25 billion

$$\text{Net Economic Profit} = \frac{5}{20} \times 100 = 25$$

Both the companies have made profit but when we consider net economic profit. It was company x which made actual business profit.

Net economic profit is calculated by taking percentage of the pure profit made over the complete investment including manpower, energy, resources, service and infrastructure.

Market Retention: It shows the percentage trend of making new customers and retention of existing customers. It is very important to expand our market by adding new customers to our clientele but much important is to hold the present customer forever, which is possible only by supplying with better quality, better price and better service.

For strategic analysis, we consider it as a value-based graph that shows the relativity between new customers and existing customer with clear statement of any bounce back i.e. customer who switched to products of our competitor.

It can be represented by plotting monthly earning graph as shown below where X-axis gives the months and Y-axis gives monthly earning.

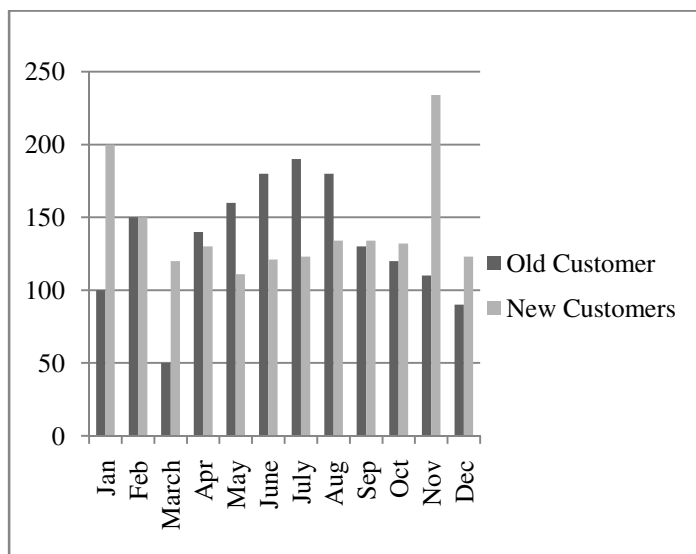


Figure-6
 Market Retention Graph

Product Value Chart: In general, Product Value is the ratio of product feature to the cost of the product, But for seven-stroke

business analysis we consider it as combination of product features, quality and service. These three terms are very important to run any business, if we lack in any one of this, it cost us business stability. Product Value charting is an analysis of value factors like product feature, cost, service offered, competitive advantage, and quality issue related to our product in comparison to available competitors. We are calling the following factors as “Value Factors” as they are the one, which actually defines value of any product. To make it more clearly, we define all value factors in following paragraph.

Product Feature: It defines the properties and utilities of any product. Every product is analyzed on two bases: first, based on basic utilities, second, based on secondary utilities. For example, a mobile phone has basic function of providing interruption free voice and text connectivity and additional features includes better camera resolution, free games, Wi-Fi connectivity, slim body etc. Every common product has same basic utilities but its value increases based on the quality of additional features provided at an affordable cost.

Cost of the Product: It is the amount taken for providing the mentioned product features. It is very important to note that everyone wants better product feature at most reasonable cost. Therefore, it is very important to assign cost to each feature of the product such that overall cost lies in the acceptable range. For assigning cost to each feature without compromising with the quality of the product Three Dimensional Graphical Representation of Quality can be used, it precisely assigns cost to each feature by maintaining the optimum quality in the target range¹⁸.

Service Offered: It is the most important aspect of maintaining and gaining any worth full business in the niche. It is the support provided by an organization to its customer for experiencing the product in a better way. For example, when we buy a new mobile phone the booklet inside the box, provides the information on usage techniques. Customer Care Unit, to handle any query related to the product, service engineering for regular up gradation and repairing, flexible payment options. Better service accounts to higher customer satisfaction rate. Hence, every organization must take keen interest and plan to provide an optimum service at no additional cost.

Competitive Advantage: It is opportunity available or the situation that are favorable to us in the niche market. It can be understood better by considering the following example. A manufacturing unit which is into b2b business is situated in such a location that is very close to its prospect customers has a competitive advantage over its competitor which is situated very far from the prospect customer location.

Quality Issue: No matter how attractive, Cost effective one product is, until it has good quality. Quality issue defines the problems reported at the client end. It can be understood by taking the case of fire problem with world’s most economic car

“TATA NANO”. Quality issues are faults caused in the product that has gone unseen by company end. It is very important for every organization to give very keen concern over every quality issues related their product reported at customer end and take preventive actions. This is a very important step in terms of business retention¹⁹.

Product value chart represents all the factors discussed above and gives a clear picture of product value.

Table-1
Product Value Chart

Product Value Chart				
Product Name				
Value Factors	Our Company	Comp -1	Comp -2	Comp -3
Product Features				
Basic				
Additional				
Cost of Product				
Services				
Competitive Advantages				
Quality Issues				
Business Challenges :				

Capabilities: This factor defines the strength, weakness and opportunity of an organization. Capability analysis takes into account strengths incurred from internal environment such as production capacity, storage space, distribution channel available and service capacity and strengths incurred from external environment such as brand value in market, increasing demand of the product, open sectors, government and political support, social influence that may be beneficial for the organization. It gives answer for following questions: i. What are our strengths and weakness?, ii. What percent of production capacity is in utilization as compared to what we can?, iii. What percent of storage capacity is in utilization as compared to what we have?, iv. What is our brand value?, v. What positive benefit we can extract from changing business environment?, vi. What is our scale of economies?

Rivalry Analysis: This analysis takes into account the probability of how existing rivals can make negative impact on growth perspective of the organization. It also takes into account the threat possessed by new entrants due to attractiveness of the market segment. It scans the innovations and environmental changes taking place in our domain.

It gives the answer for following questions: i. How we are different from our competitors present in our domain?, ii. Are our products up to date with the changing trends of our domain?, iii. Does our unique technology have any barriers for entrants in terms of patents, trademark, production ratio that keeps as on safer side?, iv. Are there any innovations or product

development going in niche domain, which can create threat to our progress?, v. Can anyone offer what we offer, in a better way?

Conclusion

Strategic analysis is an important step in business management, as it is the sole basis to make strategic planning and enhance the future perspective of the organization.

Seven Stroke Strategic Analysis is in depth scanning of any organization. It scans the organization, portrays the present position of the organization in niche domain, and gives the better idea about the areas to be improved. This ultimately will result in sustainable growth of an organization.

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