

## Introduction

- One of the most essential activities of a strategic leader is to look at a situation and clearly, accurately and honestly state how things are going.
  - Are we winning or losing against the competition?
  - Is our company healthy or sick?
  - What is it about our strategy that can explain our state of health?

## Diagnosing analogies

- It's helpful to consider the analogy of visiting a doctor.
  - We are good at noticing when something isn't quite right with our health.
  - Instead of trying to find out our health problems in the Internet, we better approach a trained physician who can use her expertise, tools and training to assess the situation and diagnose what might be wrong.
  - The doctor must analyze both your internal conditions as well as your external environment and how these two intersect if she hopes to help you heal.
- Similarly, in business, we often turn to a strategic diagnosis when things are going badly.

## Frameworks for diagnosing a strategy

- SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis provides a starting point for diagnosing a company's strategic situation and the root causes of current performance. It's useful to use additional tools, such as:
  - **Internal analysis** to help us understand the strengths and weaknesses in our resources and capabilities.
  - **External analysis** to help us understand opportunities and threats.
  - **PEST** to examine very high-level (Political, Economic, Social, Technological) factors.
  - Use **industry analysis** to examine industry level factors.

## Lessons from PepsiCo and NutraSweet

Companies such as PepsiCo and NutraSweet are examples of how using strategy tools and frameworks can help to sustain and improve competitive advantages. In PepsiCo's case, they analyzed shifting customer preferences towards healthier eating options for over a decade. This led them to evolve their portfolio in three broad categories:

1. Fun for you
2. Better for you, and
3. Good for you

The *Good for You* category consisted of healthy snacks and drinks that accounted for approximately 30% PepsiCo's annual sales by 2015.

For years, NutraSweet had the only patented artificial sweetener that was approved for carbonated soft drinks by the U.S. Food and Drug Administration. This monopoly allowed them to charge very high prices for their product, but NutraSweet recognized that when their patent expired, they would have to deal with potential competitors bringing generic aspartame to the market. Thus, they invested significantly in their underlying cost structure so that when the patent expired, they would have low cost capabilities in what might become a commodity market. This strategic diagnosis and adjustment was one of the keys to NutraSweet's long-term viability beyond the patent expiration.