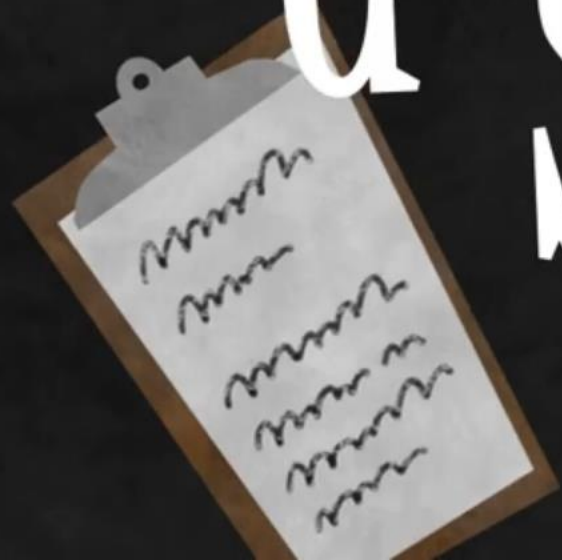


# Diagnosing a Strategy





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?



It's helpful to consider the analogy of visiting a doctor. We are good at noticing when something isn't right with our health. Instead of trying to find out our health problems ourselves, 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.



# Frameworks Strategy Tools



Similarly, in business, **we often turn to a strategic diagnosis when things are going badly.**



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.



# Political Economic Social Technological

We can also use a PEST analysis to examine very high-level (Political, Economic, Social, Technological) factors.



# Industry Analysis



Industry analysis is helpful to examine the forces that affect industry profits.





PepsiCo is one example of how **using strategy tools and frameworks can help to sustain and improve competitive advantages**. Under Indra Nooyi's leadership, PepsiCo analyzed shifting customer preferences towards healthier eating options for over a decade.



# PEPSICO



**Fun  
for  
You**

**Better  
for  
You**

**Good  
for  
You**

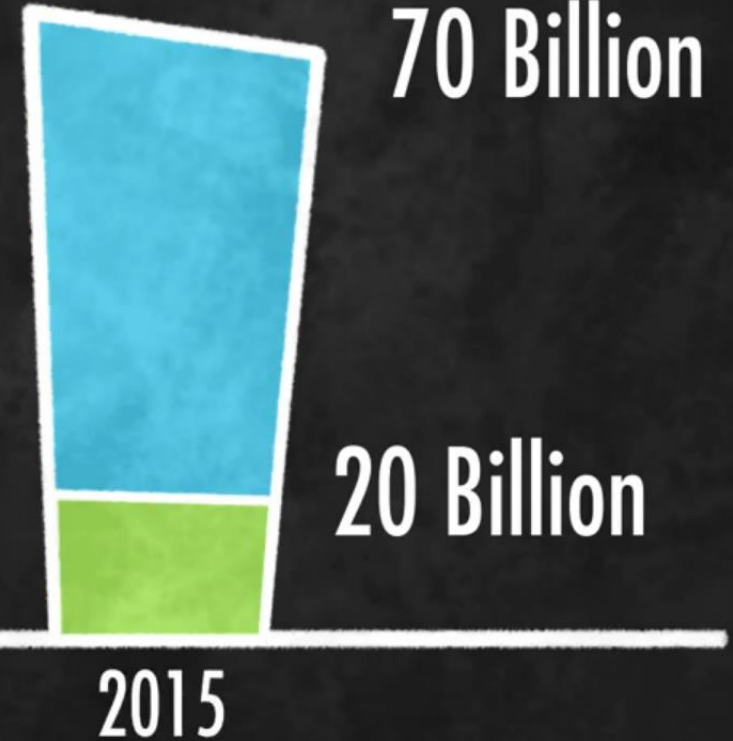
This led Pepsi to evolve their portfolio into three broad categories:  
1) Fun for you, 2) Better for you, and 3) Good for you.



# PEPSICO



## Good for You



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



# NutraSweet

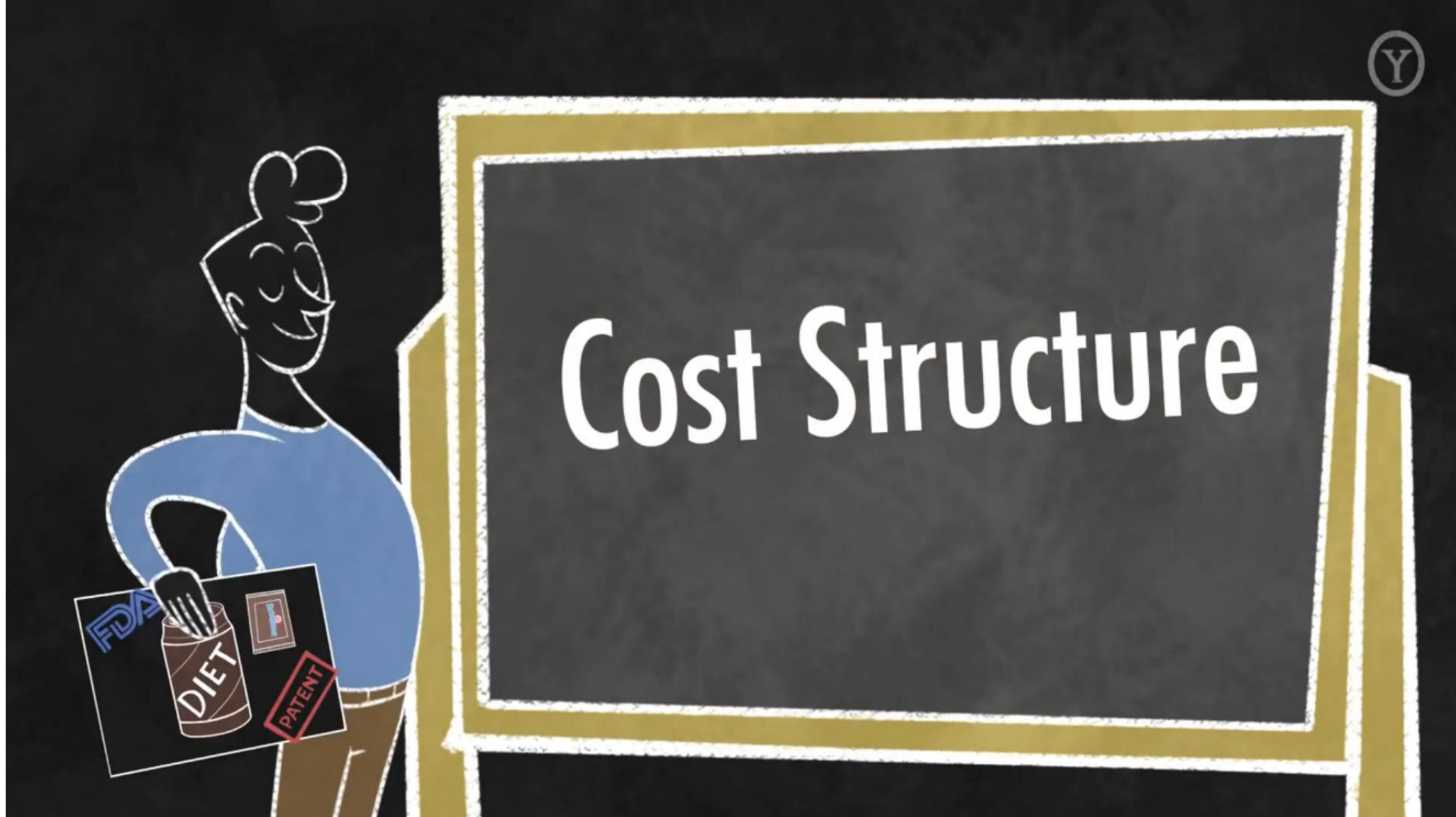


NutraSweet is another example of using strategy tools to diagnose and improve competitive advantages. For years, they had the only patented artificial sweetener that was approved for carbonated soft drinks by the U.S. Food and Drug Administration.





This monopoly allowed them to charge very high prices for their sweetener, **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.