

Understanding your external environment in a recession

STRATEGIC ANALYSIS AN INTRODUCTION

The art and science of making sense of an organisation's external environment is often called strategic analysis - sometimes called environmental or external analysis - and is about looking at what is going on OUTSIDE the organisation, considering what is likely to be happening in the future and working out:

- How it might affect the organisation
- What the organisation's response might be to likely changes

The focus is 'external' because increasingly organisations are appreciating the powerful influence of external factors and are learning to manage their response to those factors, rather than assuming that there is nothing they can do.

This is even more important in the current economic climate when the UK and global economy is clearly in trouble – with unemployment expected to reach 3 million, a housing market correction, the banking and credit crisis and the decline in equity markets.

Strategic analysis is about being clear about an organisation's overall direction and context, understanding what may change now and in the future, drawing on both past experience and current reality, considering the implications of such change, setting out options for the future and thenas a result of this deeper and more extensive knowledge, making strategic decisions and putting these into a plan.

WHY SHOULD YOU UNDERTAKE STRATEGIC ANALYSIS NOW?

Strategic analysis is fundamental to an organisation's effectiveness because it helps you to:

- anticipate what *might* happen (and the likelihood) and be prepared for it
- work out what *will* happen, and make the most of this new knowledge by considering the best response
- work out where knowledge about possible future events lies within the organisation; it can lie with front line staff as much as with those more senior

Incorporated into an organisation's strategy and plans, strategic analysis will lead to clearer, more relevant goals, and better quality decisions; it will also support innovative development, help to improve the quality and/or quantity of services and facilitate a more secure future as the organisation is better prepared to respond to both current events and the inevitable upturn in the economy which will happen at some point.