

The Role of Strategic External Diagnosis in Enhancing Organizational Strategy

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Abstract:

The national economy in any country relies on a set of economic units that include various types of productive and service companies, institutions, and organizations. These entities operate in a complex and constantly changing economic environment, striving primarily to achieve profit and maximize added economic value, in addition to ensuring their market continuity and enhancing their competitive position. To achieve these multiple objectives, organizations need to employ a set of managerial and analytical tools and methods that help them understand their internal and external environments and make appropriate strategic decisions. Specifically, external strategic diagnosis has become one of the most critical issues in modern management, given the significant role it plays in enabling organizations to adapt to environmental, political, economic, technological, and social changes, alongside the intense competition witnessed in global markets. Management that masters the use of external diagnosis tools is capable of anticipating events, avoiding risks, and exploiting available opportunities in a timely manner, which positively reflects on its long-term performance and stability.

For this reason, I chose this important topic titled: The Role of External Strategic Diagnosis in Enhancing Corporate Strategy.

Key words: Management, Strategic Diagnosis, External Strategic Diagnosis, PESTEL Analysis, Porter's Five Forces Model, SWOT Analysis, BCG Matrix, Decision-Making Process, Industry Environment, Cash Cows, Planning, Risks.

JEL Classification Codes: L10, M10, M21

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I. Introduction

In an environment marked by constant change and growing competition, organizations must find ways to remain sustainable and achieve their long-term goals. One important approach to support this is the **use of strategic diagnosis**, as a tool to analyze their current position, better understand their internal strengths and weaknesses, and identify external opportunities and threats.

By providing a clear and comprehensive view of both the internal and external environment, strategic diagnosis plays a vital role in guiding decision-making and shaping future strategies.

Moreover, aboard and examine the concept of **strategic external diagnosis**, its significance, and its contribution to organizational success.

Study Problem:

In this context, several **key question** arise:

What is **the role** of the **strategic external diagnosis** and what's his impact on the improvement of the **organizational success**?

Several Sub-questions include the following:

What are its main benefits for organizations?

What is the primary role in the strategic decision-making process?

What are the challenges facing this the **strategic external diagnosis in an organizations?**

Study Hypotheses:

In response to the raised questions, the study's hypotheses can be formulated as follow:

The **strategic external diagnosis** could positively contribute to improving and enhancing the efficiency of the strategic decision-making process and reducing time, effort, and operational costs.

Research Methodology:

To achieve the objectives of this study and address the research problem, an analytical and descriptive research approach was adopted. This approach is based on the review and analysis of relevant books, scientific articles, and strategic management literature, as well as the analysis of collected data.

For this purpose, the following research question was formulated: **"To what extent does strategic external diagnosis contribute to the enhancement of organizational strategy?"**

Data were collected through questionnaires distributed to managers and employees involved in strategic planning and decision-making within organizations. The collected responses were then analyzed systematically. Each questionnaire was carefully examined, and the most frequently cited responses were identified as key

indicators, which helped clarify the research findings and support the study's conclusions.

Survey Population:

The study targeted managers, executives, and employees working in different organizational departments, particularly those involved in strategic management, planning, and decision-making processes.

Survey Period:

The survey was conducted from 05 December 2024 to 05 January 2025.

Research Challenges:

Several challenges were encountered throughout the research process.

One significant difficulty was the limited availability of specialized references related to the topic, which required considerable time and effort to overcome.

Additionally, the novelty of the subject and the scarcity of previous studies made the process of comparison and analysis more complex.

Study Objective:

The study aims to achieve the following objectives:

- Understanding and analyzing the concept of strategic diagnostic.
- explaining the importance of strategic diagnostic.
- Assessing the role of the strategic external diagnosis in enhancing the efficiency of the strategic decision-making process.
- Identifying the various challenges and obstacles, and attempting to propose feasible solutions based on the available resources.

II. Theoretical Framework of Strategic Diagnosis:

Section 1: Concept of Strategic Diagnosis

1.1 The Strategic Diagnosis Definition

Strategic diagnosis is a structured analysis process that aims to evaluate the current situation of an organization. It focuses on identifying internal strengths and weaknesses, as well as external opportunities and threats. In order to make effective, and strategic decision for the future to achieve their goals.

1.2 The Importance of Strategic Diagnosis

- Informs decision-making
- Supports strategic planning
- Highlights gaps and priorities
- Reduces risks

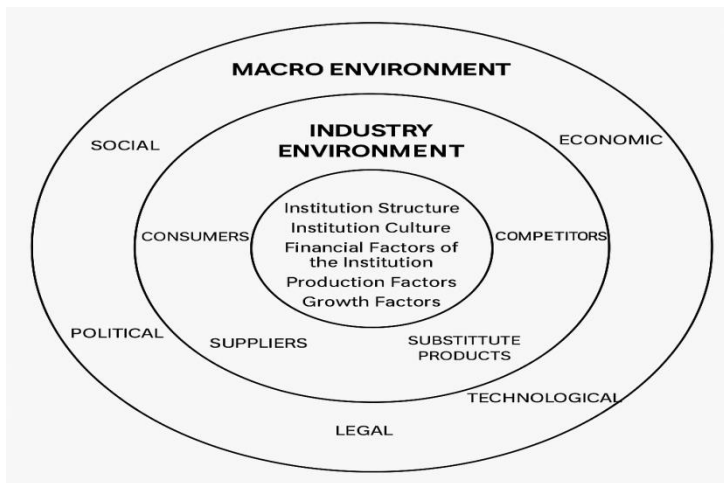
1.3 Types of strategic diagnosis

a) Internal Diagnosis

Focuses on analyzing the organization's internal environment, including: Resources ,Capabilities and competencies, organizational structure and culture.

- **In order** to: Identify strengths and weaknesses.
- b) ExternalDiagnosis
Examines the external environment in which the organization operates including: market trends and customer behavior, Competitors and industry dynamics, Political, economic, social, and technological factors.
- In order to: Identify opportunities and threats.

Fig1: The environment structure of an organization.



Section 2: External Strategic Diagnosis

2.1 The Definition Of External Diagnostics

External Diagnosis is the process of analyzing and evaluating factors outside an organization that can impact its performance. This includes examining the macro-environment (like political, economic, social, and technological trends) and the industry environment (such as competitors, suppliers, and customers).

2.2 The Tools That We Use In External Diagnostics

2.2.1 SWOT Model

The SWOT Model is a strategic analysis tool used to evaluate an organization's internal strengths and weaknesses, as well as the external opportunities and threats it faces. It helps decision-makers understand the current situation and plan for the future.

Fig2: The structure of SWOT Model



▪ ***The SWOT Model Elements:***

Strengths

Are the internal positive attributes or resources of an organization that give it an advantage over competitors.

What the organization does well?

Weaknesses:

Are the internal limitations or areas of the organization that make lot of a disadvantage compared to others.

What the organization needs to improve or manage better?

Opportunities

Are the external factors in the environment that the organization could exploit to its advantage. The favorable external possibilities for growth or improvement.

What the environment offers?

Threats

Are the external factors that could cause trouble or risks to the organization's success.: External risks that must be anticipated or managed.

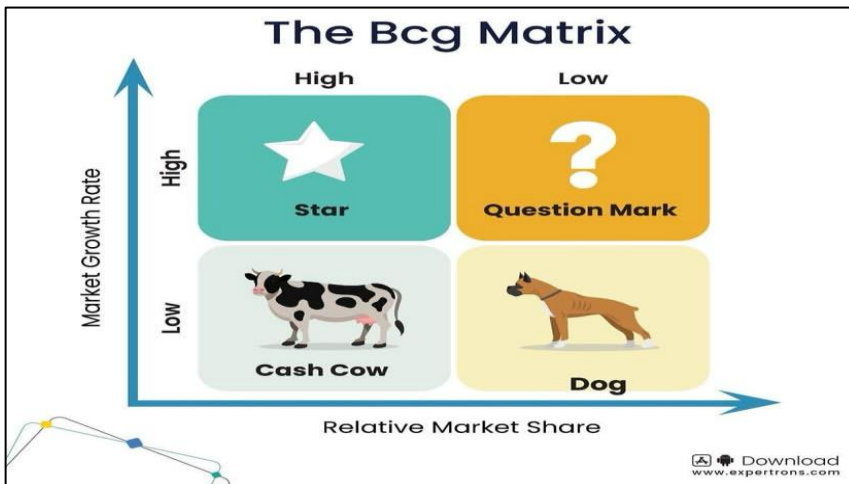
2.2.2 BCG Matrix (Boston Consulting Group Matrix)

The BCG Matrix is a tool that helps a company decide which products or services to keep, grow, or stop. It looks at two things:

- **How fast the market is growing**
- **How much of the market the company controls**

And it divides products into four groups: *stars*, *cash cows*, *question marks*, *dogs*.

Fig3: The Boston Consulting Group Matrix model



The BCG Matrix Elements:

Stars

- High Market Share & High Market Growth
- These are leaders in fast-growing markets.
- Require heavy investment to maintain or grow their position.
- Often become Cash Cows when the market matures.

Cash Cows

- High Market Share & Low Market Growth
- Generate more cash than they consume.
- Stable and profitable.
- Fund other business units like Stars or Question Marks.

Question Marks (or Problem Children)

- Low Market Share & High Market Growth
- Potential to become Stars or fail.
- Require significant investment to increase market share.
- Decision needed: invest or divest.

Dogs

- Low Market Share & Low Market Growth
- Often break-even or loss-making.

2.2.3 McKinsey Matrix

The McKinsey Matrix is a strategic tool composed of nine cells, developed in 1970 by General Electric (GE) in collaboration with McKinsey & Company. It was designed to evaluate and manage a company’s diverse portfolio of activities. Based on McKinsey’s recommendations, the company’s operations were reorganized into autonomous business units, each further divided into Strategic Business Areas (DAS) — individual activities capable of functioning independently. This strategic segmentation enables better resource allocation, supports the development of new initiatives, and strengthens the company’s competitive advantage.

Why Use the McKinsey Matrix?

- To make informed, strategic decisions in resource allocation.
- To identify priorities among business units.
- To develop long-term strategies for each activity or product line.
- To encourage innovation by fostering high-potential units and creating space for new ones.

The structure of the McKinsey Matrix:

Based on two key dimensions:

- *Industry Attractiveness , Business Unit Strength*

Than it is a 9-box matrix (3x3 grid), resulting from combining:

- *3 levels of Industry Attractiveness: High, Medium, Low*
- *3 levels of Business Strength: Strong, Average, Weak*

Fig 4: the McKinsey Matrix

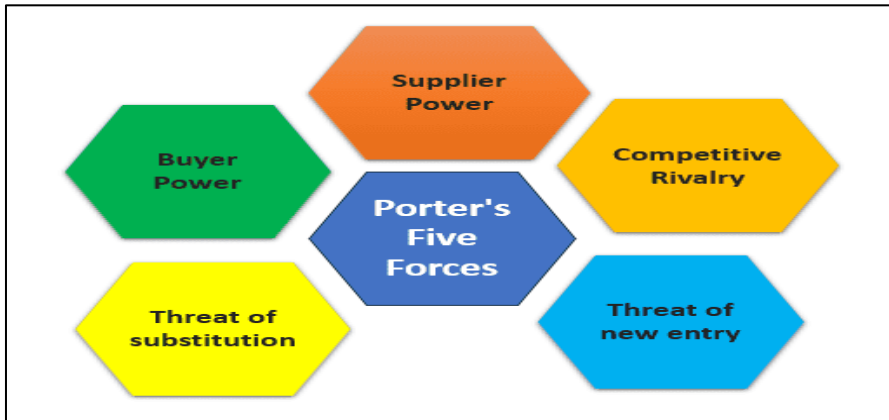


2.2.4 Porter’s Five Forces Model

Porter's Five Forces, is strategic tool and frame work developed by Michael E. Porter in 1979. That helps assess the competitive intensity and profitability potential of an industry. It examines five key forces that influence competition and strategy.

Fig5: Porter's Five Forces model

- **Why Use Porter's Five Forces?**
 - To understand industry dynamics
 - To identify threats and opportunities



- To shape competitive strategy
- To assess market attractiveness before entering.

Porter's Five Forces Elements:

Competitive Rivalry

How strong the competition is between existing companies.

More competitors = more pressure and lower profits.

Threat of New Entrants

How easy it is for new companies to enter the market.

Easy entry = more competition and lower profits

Power of Suppliers

How much power suppliers have to raise prices or limit supply.

Few strong suppliers = higher costs for the company.

Power of Buyers

How much power customers have to demand lower prices or better products.

Strong buyers = lower prices and tighter margins.

Threat of Substitutes

The risk of other products replacing yours.

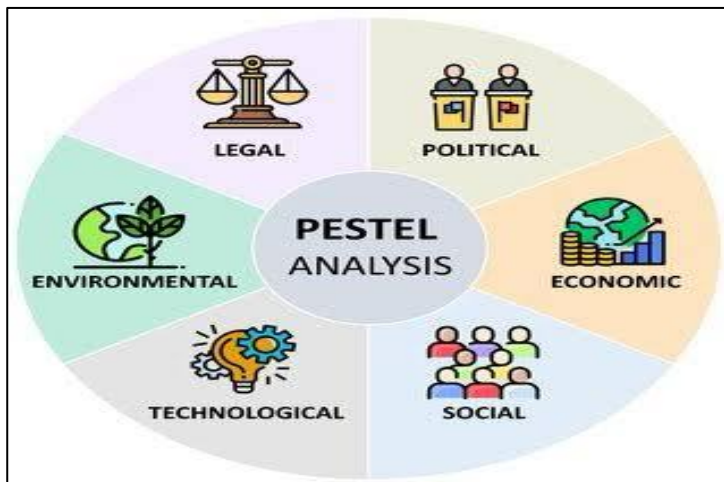
– More substitutes = less customer loyalty and pricing power.

2.2.5 PESTEL Analysis

PESTEL analysis is a strategic framework used to study the external environment of a business. It examines six key areas: political, economic, social, technological, environmental, and legal factors. Understanding these factors helps organizations identify potential opportunities and threats in the broader environment.

- **Why do we use pastel analyses?**
 - Anticipate future challenges or risks
 - Adapt to external changes more effectively
 - Understand the broader forces shaping their industry
 - Improve long-term planning and competitiveness.

Fig 6: PESTEL analysis model.



- Pastel factors :
 - Political Factors: These involve the influence of government policies, political stability, international relations.
 - Economic Factors: These refer to aspects such as economic growth, inflation, interest rates, employment levels, spending, all of which can affect business performance.
 - Social Factors: These include societal trends, cultural values, demographic changes.
 - Technological Factors: These focus on developments in technology, innovation, digital transformation.
 - Environmental Factors: environmental challenges, sustainability practices, climate change, and pollution control.
 - Legal Factors: including labor laws, environmental regulations, health and safety standards, and consumer protection legislation that businesses must comply with.

2.3 Limitations of External Strategic Diagnosis:

- Time-Consuming Process.
- High Costs Involved.

- Unreliable or Inaccurate Data
- Sensitive to Unexpected Events
- Hard to Use in Fast-Changing Environments
- Resistance Within the Organization.

III. Results and Discussion

- Strategic diagnosis is essential for understanding an organization's internal and external environment.
- The external strategic diagnosis helps identify opportunities and threats in the market.
- Tools such as **PESTEL, Porter's Five Forces, SWOT, BCG, and McKinsey Matrix** support effective strategic analysis.
- It improves decision-making, planning, and long-term competitiveness.
- Overall, external diagnosis strengthens organizational strategy and ensures sustainable growth.

IV. Recommendations

- Establish a **systematic environmental scanning process** to continuously identify external opportunities and threats affecting the organization's performance.
- **Train managers and leaders** on how to study and respond to external changes.
- **Understand your stakeholders** (customers, government, and investors)
- **Reduce risks** and make better decisions.
- Use **modern tools** like data analysis or AI to understand changes faster.
- Encourage **cross-functional collaboration** among departments to ensure a comprehensive understanding of external factors from multiple perspectives.
- Perform **regular reviews and updates** of the external diagnosis to maintain strategic relevance in a dynamic environment.

V. Conclusion:

In conclusion, strategic external diagnosis plays a crucial role in shaping and enhancing organizational strategy. By systematically analyzing environmental

factors and integrating their findings into the strategic planning process, organizations can better anticipate changes, identify emerging opportunities, and mitigate potential threats.

Furthermore, when it's supported by analytical tools, cross-functional collaboration, and continuous monitoring, external diagnosis enhances strategic agility and long-term sustainability. Ultimately, the capacity to align internal capabilities with external realities determines the organization's competitiveness and resilience in an increasingly uncertain global context.

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