



SITUATION ANALYSIS: Diagnostic Review

The Diagnostic Review is one of two key components of a Situation Analysis and the Situation Analysis is the 'Now' in the Now, Where, How process of planning and problem solving ([The Now, Where, How Planning Process](#)). We see the Diagnostic Review as being primarily an internal review of the business. It is essentially designed to determine the strengths and weaknesses of the business although it is not and does not need to be limited to this focus. The strengths and weaknesses can then be used as part of the planning and strategy development processes in the business. If you want to look more closely at the opportunities and threats then we would suggest that you carry out an external review or an Environmental Review. We refer you to the paper titled "[SITUATION ANALYSIS: Environmental Review](#)"

The intent of this paper is to provide you with a framework for carrying out a Diagnostic Review on your or your client's business. You will need to tailor and enhance this framework to meet your specific needs i.e. the specific circumstances of the business.

The most important thing in carrying out a diagnostic, in the first instance, is to make sure that you have identified and understand all the critical parts of the business - what drives or underpins the business? This is not easy to do as there are so many aspects to a business that it is easy to make the Diagnostic Review so comprehensive that it becomes virtually unusable or so limited that it becomes nothing more than a scan of the business.

The [Linnergy 'Business' Excellence Model](#) provides an excellent framework for carrying out a Diagnostic. It identifies four key areas to focus on in carrying out a diagnostic:

- Leadership & Management
- Market positioning
- Financial Performance
- Strategic Assets

We believe that a balanced Diagnostic should cover at least these areas.

The first step is to identify the strategic assets of the business (please refer to the [Linnergy 'Business' Excellence Model](#) for a definition of strategic assets. For the purpose of the exercise we have chosen the following strategic assets:

- Brand/reputation/positioning in the market etc.
- Client base/relationships/distribution channels/access to markets etc.
- People.
- Knowledge, systems, processes, IP etc.

Some prompters to help you design your Diagnostic Review are shown in the attached table - please note this is not designed to be an exhaustive list.

Perspective	Prompters
Leadership & Management	<ul style="list-style-type: none"> ○ Does the practice have a succinct and appropriate strategic plan? ○ Does the practice have a succinct and appropriate business plan? ○ What is the degree of alignment to these plans evident throughout the practice? ○ How do these plans impact on a day to day basis? Can you see evidence of this? ○ How appropriate and effective are the Governance processes - decision making, communication, risk management etc? ○ Skill mix and competencies of the leadership and management group? ○ Does the practice have a leadership/management succession plan? ○ Level of dependence on one or two individuals in the leadership or management team? ○ Do the partners work as an effective decision-making team or do they behave more like silos? ○ What is the approach to leadership and management in this practice and what is the impact of this approach?
Market Positioning	<ul style="list-style-type: none"> ○ Does the practice understand what its distinctive capabilities are? (Does the practice have any?) ○ Does the practice have clear value propositions for each of the key market segments it operates in? How well are these value propositions understood and observed across the practice? ○ How strong is the practices' competitive position in the market?
Financial (& KPI) Performance	<p style="text-align: center;">- Consider both historic and projected figures -</p> <ul style="list-style-type: none"> ○ Performance against KPIs in Strategic and Business Plans. ○ Cash flow. ○ Financial ratios (Dupont etc) - Profit & Loss and Balance Sheet. ○ Performance against industry benchmarks - e.g. Good Bad & Ugly. ○ Trends in key ratios. ○ Profitable clients, products etc analysis etc using 80/20 Principle. ○ Are the KPIs being used appropriate to the direction of the practice? E.g. are the current KPIs (such as emphasis on productivity) causing dysfunctional behaviour?
Strategic Assets	<ul style="list-style-type: none"> ○ Refer table below



Strategic Assets	Prompters
Brand etc	<ul style="list-style-type: none"> ○ Can you identify a clear business “personality”? If so, what is it, how would you define/describe it? ○ How strong is the brand/profile of the business in its markets compared to its best competitors? What is the evidence? ○ Does the business have a market leadership position in any of its markets? What is the evidence? ○ Does the business communicate a consistent message to its markets/customers and stakeholders (through its promotional activities and performance etc)? Stakeholders will include the business’ staff, shareholders, suppliers, bankers etc ○ Other KPIs?
Client base etc. (Including contacts)	<ul style="list-style-type: none"> ○ What is the quality of the client base like? ○ Client satisfaction? ○ Contact program? ○ Profitability of clients? ○ Is there too much dependence on one or two key clients? (Do an 80/20 on the client base). ○ Are there too many clients with too many wide ranging needs that means the practice is a ‘sausage factory’ and always stretched? ○ What industries are these clients in and where are those industries heading? ○ Age profile of clients and their businesses. ○ Other KPIs?
People	<ul style="list-style-type: none"> ○ Staff mix - in terms of skills, competencies, experience, age etc? ○ Level of dependence on one or two individuals? ○ Staff satisfaction and morale? ○ Staff alignment? ○ Staff culture? ○ Productivity? ○ Staff turnover? ○ Learning and development of staff? ○ Level of engagement and empowerment of staff appropriate to market? ○ OH&S and other compliance issues related to employment? ○ Other KPIs?
Knowledge etc.	<ul style="list-style-type: none"> ○ Any IP that the practice is dependent on? If so how is this used and protected? ○ Quality of systems and processes? ○ Knowledge trapped in systems or in peoples’ heads? If trapped in peoples’ heads you may well be said to have a strong people asset but a relatively weak knowledge asset. ○ How is (critical) knowledge generated, captured, stored, protected, retrieved, shared and used? This will include effective access to and use of appropriate technology. ○ Other KPIs



Based on the above analysis what are the key competitive (relative to your practice's best competitors) strengths and weaknesses you have identified?

No	Strengths	Weaknesses
1		
2		
3		
4		
5		
6		

To understand how these strengths & weaknesses may be used to develop high level strategy please read the [Strategic SWOT](#) article.

Based on the above analysis what are the issues that you believe need to be addressed in the practice (try to be exhaustive and specific)?

List them:

No	Issue
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	

Refer to the [Developing Action Plans](#) article to see how these issues are prioritized and developed into action plans.

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