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How Can Company Strategy Be Evaluated? A Proposed Six-test Model

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Abstract: Company strategy is a set of decisions identifying the objectives to reach and the way to reach them in a competitive context. As all companies operate in competitive contexts, they all have a *de facto* strategy, even if it is not always the result of planning and, even when it is, it may take on a configuration other than that defined during the planning stage. For those reasons it is useful to evaluate the strategy of a firm using what can be called a "diagnostic test", especially when competitive pressure exceeds certain limits making the context more volatile and subject to risk and uncertainty. The aim of this article is to propose a model for diagnosing the quality of a company's strategic design and describe its application in the case of a producer of sparkling wine (*spumante*) conventionally called "Tenuta Alba".

Key words: firm strategy; strategic diagnosis; strategy evaluation; strategy test
JEL codes: M10, M20, M21

1. Introduction

Company strategy is not always the result of explicit planning (Mintzberg, 1978, 1996) and, even when it is, there may be a considerable and sometimes unbridgeable gap between its planning and implementation. Submitting a company's strategy to a diagnostic test means assessing its entire design in an attempt to define its limitations and potential.

The scientific literature has given relatively little consideration to strategic diagnosis, and certainly less than it has given to planning and control (Guatri & Sica, 2000; Invernizzi & Molteni, 1990; Galeotti, 1995; Mazzola, 1996). This shortcoming is particularly noticeable when increasing competitive pressure is making the situation more volatile and subject to greater risks and uncertainty: if it is true that sustainable competitive advantages are becoming increasingly rare and more fleeting (D'Aveni et al., 2010), it is also true that strategic choices must be continuously assessed and challenged (Grant, 2010).

The aim of this article is to propose a model for diagnosing the quality of company strategy. After describing the theoretical concept of strategic diagnosis in detail, the article will describe the proposed diagnostic model and, subsequently, develop its analysis by means of a case study, a method widely used in management studies (Yin, 1984; Eisenhardt, 1989; Berg, 2009) because of its ability to provide the qualitative evaluations that are particularly useful when analysing company strategy. The case is based on both primary and secondary information: primary information comes from the authors' interviews of company management, and secondary

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information from the financial statements of the company concerned and industry studies published by institutions (the *Banca d'Italia*, ISMEA) and specialised firms (Marketline, Datamonitor) and accessible from databases such as EBSCO — Business Source Premier and *Il Sole 24 Ore*.

2. Strategic Diagnosis

The term "strategic diagnosis" describes the set of activities and instruments that allow an overall evaluation of company strategy. The concept of strategic diagnosis is deeply rooted in strategic management (Dutton & Duncan, 1987; Ansoff, 1992; Ansoff & Sullivan, 1993; Hamel & Prahalad, 1993; Atamer & Calori, 1997; Pickton & Wright, 1998), and academics and consultants have frequently examined it with varying degrees of success. In today's turbulent and dynamic environment, the quest for strategic diagnosis has gathered increasing momentum (Pearce & Robinson, 2000; Bowman & Moskowitz, 2001; Berg, 2009) because growing competition and the economic crisis are obliging firms to re-assess and reshape their strategies and business models (Zott et al., 2011; Magretta, 2002; Ghaziani & Ventresca, 2005; Chesbrough, 2010; Zott & Amit, 2008; Lecocq et al., 2010; Baden-Fuller & Morgan, 2010) as a primary requisite of survival.

Among the various perspectives by means of which the scientific literature has analysed strategic diagnosis, it is possible to identify three that, over time, have provided particularly useful instruments and approaches (Mazzola, 1996). According to the first (Peters, Waterman & Jones, 1982; D'Aveni, 1994), strategic diagnosis consists of verifying the extent to which a company's characteristics or behaviours are in line with those that should allow it to perform successfully. By presuming that respecting certain requirements or behaviours will lead to stable and lasting competitive and economic performances, this view of strategic diagnosis limits itself to ascertaining that these are respected.

Mazzola (1996) conceived strategic diagnosis as a sequential activity that begins with monitoring the validity of a company's strategic design in order to develop diagnostic hypotheses for further investigation. These investigations subsequently lead to an assessment of company strategy, the identification of any critical aspects, and proposals for corrective action.

According to the third view (Atamer & Calori, 1997), strategic diagnosis can be as a multi-directional analysis (inside and outside the company) that terminates with a summary judgement. In this case, it is nothing less than a check-up of the company's entire strategic design.

This third interpretation of strategic diagnosis forms the basis of the approach adopted in this article but, with the aim of avoiding the risk of dispersion, the analysis is circumscribed in order to concentrate on specific areas of evaluation. In particular, the proposal considers strategic diagnosis as a set of activities and instruments designed to evaluate a company's strategic quality in terms of:

- the competitive positions reached and their sustainability;
- competitive potential (i.e., possible future results);
- the processes and instruments used to elaborate and implement its strategic design.

In this way, the diagnosis takes the form of an analysis that not only covers the company's internal dimension, but also the external dimension. The analysis of the internal dimension consisted of collecting and interpreting information concerning the organisational context, whereas the analysis of the external dimension consisted of collecting and reprocessing information coming from the external context, paying particular attention to identifying the significant trends that could become opportunities or threats. The process of diagnosing both dimensions (but particularly the external dimension) involves the use of a significant number of qualitative and quantitative analytical instruments (Solinas & Vernizzi, 2011a, 2011b).

3. The Structure of the Model

In order to assess the strategic design of a company, we propose a model consisting of six diagnostic tests relating to three broad areas of evaluation:

(1) the competitive positions reached and their sustainability;

(2) competitive potential;

(3) the implementation of the strategic design.

Together, the six tests concentrate on 18 specific subjects of analysis that form the basis for formulating a summary judgement concerning the quality of the company's strategy.

The subject of the first area of evaluation (the competitive positions reached and their sustainability) is the effectiveness of the choices already made and their medium-term sustainability. This is investigated by means of three tests that can be described as giving the answers to the following three questions:

(1) What competitive results have been reached so far?

(2) Are the chosen competitive positionings "harmonious"?

(3) What resources are available, or necessary and obtainable?

The second area of evaluation (competitive potential) concerns a question whose answer is normally very uncertain (the fourth test):

(4) What is the company's competitive potential? What goals can it aspire to reach, and how?

Finally, the third and last element of the diagnosis concerns the organisational process of strategic planning and implementation in an attempt to answer the following questions:

(5) How effective is the strategic planning?

(6) How effective is the company in implementing its strategy?

The six tests correspond to the six questions whose answers should provide a sufficiently clear picture of the company's strategic quality (Table 1). In order to summarise the conclusions reached after each test more effectively, it is possible to use a scoring system such as a 4-point Likert-type scale in which 1 is the most negative evaluation and 4 the most positive.

3.1 Test 1: What Competitive Results Have Been Reached So Far?

The first test begins with an analysis of the company's (or group's) balance sheet in order to identify its economic, financial and capital structure. This first step has a number of objectives:

- understanding the recent dynamics of operating and net profitability;
- understanding the principal key value drivers;
- evaluating the conditions of financial equilibrium;
- evaluating the time trends of loans and the sustainability of the ratio between capital sources (equity and third-party financing).

This is a very important preliminary analysis that provides essential information not only for this test but, as we shall see, also for the others.

However, the analysis of the company's economic, financial and capital structure must be integrated with further information regarding:

(1) the competitive context in which the company operates;

(2) the competitive results reached in each setting.

3.1.1 Identifying Competitive Spaces

We define a competitive space as:

- the set of companies competing to satisfy a given need or homogeneous set of needs;
- the set of relationships between the competitors and the other players mainly involved in the trends of competitive dynamics (e.g., suppliers and customers).

A competitive space arises because different companies position themselves sufficiently similarly to enter into competition. This positioning involves (Figure 1) (Beretta Zanoni, 2011):

- the specific need being satisfied (“what”);
- the geographical area concerned (“where”);
- the target (“who”);
- technology: i.e., the type of product and its differentiation versus cost (“how”).

A competitive space requires overlaps in the need and geographic area (the “what” and the “where” of the positioning), but the “who” and the “how” are more complex because, even when the choices of positioning do not exactly coincide, it is possible to create competitive relationships, as it the case of high-speed railways and short-range civil aviation. In this sense, the competitors giving rise to the competitive space may be homogeneous (with very similar positions in all four dimensions) or heterogeneous (with significantly different positions in the “who” and “how” dimensions).

Naturally, competitive relations (and therefore competitive spaces) change in accordance with strategic moves.

3.1.2 Evaluating Competitive Results

Once the competitive spaces have been identified, it is possible to evaluate a company’s competitive results. But how are they measured? Some researchers use market shares, but others turn directly to operating profitability on the assumption that competitive positioning inevitably affects revenues.

However, the analysis should be more subtle than this because competitive results depend on how four variables come together:

(1) the value perceived by purchasers;

(2) the price of the products/services;

(3) the costs borne by the company in producing and selling the products (unit cost);

(4) sales volumes, which depend on the size of the market(s) and the market shares gained.

Companies have a competitive advantage when there is a high ratio between perceived value and unit cost, and they manage to convert this capacity into prices and significant volumes.

In brief, the competitive position reached in each competitive space can be represented as follows:

CP = competitive position reached

V = perceived value

P = sales price

C = unit cost of the product/service

QV = quantity sold

Q = total quantities of the relevant market

$$PC - \frac{V}{C} \times \frac{P}{V} \times \frac{QV}{Q} \times Q$$

The ratio between perceived value and unit cost measures cost/value performance; the ratio between the price and perceived value measure value/price performance; and the ratio between the quantity sold and total quantities measures the market share.

In practice, these measurements are always based on estimates of the values concerned, and never on precise measurements.

3.2 Test 2: Are the Chosen Competitive Positionings "Harmonious"?

Competitive positionings are "harmonious" when:

- there is harmony among the satisfied need, geographical area, target customers and the nature of the products/services;
- there is harmony among them, given that a company may choose an even large number of positionings that may give rise to problems of compatibility (e.g., in branding or investments).

The second test mainly involves a detailed analysis of the elements making up competitive positioning (a satisfied need, target, geographical area, and the product/service supplied). Furthermore, in the case that the company adopts multiple competitive positionings, the analysis of internal consistency must be accompanied by an evaluation of the consistency between them.

For example, in the case of a spa that chose its positioning on the basis of the needs for health, holidays and relaxation of families (father, mother and children), Test 2 revealed a high risk of inconsistency between the product/service supplied (the spa service) and the target. The service was promoted by means of communication channels prevalently aimed at families with children, but the service itself also responded perfectly to the needs of single people and couples without children.

In substance, the risks of disharmony was high.

3.3 Test 3: What Resources Are Available?

This test evaluates the adequacy of the resources on which the company's competitive activity is based in relation to the individual positionings and the company as a whole. For the purposes of the test, it is useful to divide the resources into assets, capabilities and strategic competences.

Assets may be material, immaterial or financial. They are the result of past investments and need to be evaluated in a way that also takes into account what the competitors have available. The assessment is quantitative (the number of assets available) and, when possible and relevant, qualitative (the quality of the assets possessed). At this level, it is also important to compare the nature and dynamics of the assets with their financial coverage in order to highlight any risks.

A company's capabilities arise from the applied knowledge that allow it to use even its immaterial assets in processes (Amit & Schoemaker, 1993) and therefore made active (patterns of action) (Newbert, 2008; Ambrosini et al., 2009). Furthermore, these capabilities may (but not necessarily) include strategic competences: i.e., specific organisational capabilities that directly underlie competitive success (Hamel & Prahalad, 1993). Strategic competences may arise from particularly valuable assets or (more probably) from unique capabilities, or a combination of both. Identifying strategic competences make it possible to appreciate fully the strategic significance of the relationship between what a company possesses (its assets) and the specificity of what the company can do (capabilities).

The test for evaluating these three resources (assets, capabilities and strategic competences) establishes:

(1) the presence or absence of specific strategic competences in the company as a whole or (when and if relevant) in each of its positionings;

(2) the strategic potential of its assets and capabilities (i.e., the probability that its existing assets and capabilities will be able to sustain the preservation of its existing strategic competences or the creation of new strategic competences);

(3) the functionality of its assets and capabilities (high, medium, low): i.e., their suitability for sustaining its current positionings (in practice, its current system of offer), once again concentrating on what is competitively relevant.

3.4 Test 4: What Is the Company's Competitive Potential?

The fourth test has the complicated objective of identifying the opportunities and risks implicit in the company's competitive position. SWOT analysis, which crosses analyses the strengths and weaknesses of a company with opportunities and exogenous threats, is one of the oldest but still widely used tools of strategic analysis. This test is clearly similar to SWOT, but differs from it in the sequence of the analyses:

(1) Identify the main trends of the general scenario and the specific industry, and evaluate the relevance of each.

(2) Define the critical success factors of each competitive positioning: i.e., the specific characteristics of the offering system that serve the purpose of satisfying the need and therefore conquering the market. For example, delivery time may be a critical factor in certain cases; in others, the sales price (and therefore production costs) or the brand, and so on. Once again, the critical factors should be evaluated on the basis of their relevance.

(3) Define the main points of strength and weakness of the company and its competitors in each competitive space. The strengths and weaknesses are respectively the superior or inferior competitive capacities of the company in relation to its competitors on the basis of the critical success factors identified in each space: if delivery time is a critical factor, the quality of the logistics process becomes a strength if it is high, and a weakness if it is low. As in the case of the critical factors, the relevance of the strengths and weaknesses should be indicated. Although they are strictly related to the critical factors and therefore form part of the competitive space, they can also be identified at corporate level.

(4) Make an overall summary by identifying the main opportunities and threats for each positioning, and evaluate their relevance.

(5) Summarise the company's competitive potential on the basis of the opportunities available and the threats it has to confront.

3.5 Test 5: How Effective Is the Strategic Planning?

The fifth test considers the quality of the current strategic plan and the way in which it was prepared by evaluating:

(1) its structure;

(2) its content;

(3) the analyses used when drawing it up.

A strategic project is characterised by four broad decision-making classes:

(1) the competitive objectives to be reached: sales volumes, market shares, unit margins, and the level of fixed costs;

(2) the competitive choices by means of which it is intended to reach these objectives: i.e., the choice of

competitive positioning (including the choice of the marketing mix of products, prices, distribution and communication);

(3) a set of programmed actions (with defined times, responsibilities and dedicated resources) that allow the strategic choices to be implemented and the objectives to be reached;

(4) the economic, financial and capital implications of the strategic choices and programmed actions, with the development of prospects of profit and loss, assets and liabilities, and cash flows during the reference period of the plan.

Separate considerations apply to the presence and quality of a strategic vision, by which we mean an underlying objective of the strategic project on which all of the other choices should logically depend, beginning with the competitive objectives themselves. It is important to understand whether there is such a vision and whether it is effective in guiding strategic decisions, particularly the competitive objectives and choices.

More generally, the structural evaluation of the strategic plan tests the presence and quality of the vision, and the four decision-making contexts mentioned above, seeking to identify any deficiencies or omissions, for example in the action plan or financial forecasts, or in the overall logical consistency of the project's vision, objectives, strategic choices, action plan and its economic, financial and capital implications.

Having verified the correctness (or otherwise) of the structure of the plan, the second component of the fifth test concerns its content. Once again, it is a question of evaluating the internal consistency of:

- the evaluation of the competitive position;
- its strategic potential;
- the principal choices made.

In substance, this involves considering the consistency of the strategic choices with the company's strategic identity identified during the first four tests. It is essential to understand whether the central vocation of the strategic (i.e., its expansive or conservative nature) makes sense in the light of the previous test results.

The third and last objective of the fifth test concentrates on the process underlying the strategic plan and, more precisely, the quality of the analyses made when preparing it. For example, it is possible to assess whether and how analyses of sensitivity have been used to quantify the effects of any deviations in the input variables on the most probable result (the best or worst case scenario), or evaluate the way in which the assumptions of the plan or the key value drivers used to analyse its economic, financial and capital implications were defined, and so on.

In any case, the quality of the sources and information used in the strategic planning should always be verified, and checked for the presence of possible biases.

3.6 Test 6: Is the Strategic Plan Implemented?

The last test concerns the ability of the company to implement the plan, and can be divided into two parts:

- an evaluation of the organisational consequences of the strategic project;
- an evaluation of the system of planning and control.

3.6.1 Organisational Consequences of the Strategic Plan

It is necessary to assess whether the actions and economic/financial implications of the strategic plan really become reference points for consistently modelling all of the company's principal operating mechanisms, from budgeting to the reward system. If it has no organisational impact, it is clearly destined to remain a dead letter.

With this in mind, it is also worth considering the way in which the plan is formalised and communicated and, to do this, it is useful to distinguish the strategic design from the industrial plan. The strategic design contains the strategic decisions and can take on any form whatsoever (or even no form at all), whereas the industrial plan is the "editorial" formalisation of the design. These two aspects need to be distinguished because, although the second is obviously an expression of the first, they have different functions.

Drawing up an industrial plan (i.e., a document that describes the strategic plan in a consistent manner) has a number of objectives:

- it allows the project as a whole and each its choices to be shared at organisational level;
- it facilitates the project's implementation and control (strategic control);
- it also makes it possible to communicate the project outside the company after having taking the appropriate precautions concerning confidentiality.

3.6.2 Strategic Planning and Control

Strategic planning, which is characterised by its long-term nature, is a continuous process that involves the integration of analyses, decision making and control. The analyses feed the decision making, and control allows:

- systematic and continuous verification of the sustainability of the competitive objectives, and the effectiveness of the strategic choices;
- systematic and continuous verification of the extent to which the competitive objectives are reached, and the extent to which the strategic choices and programmed actions are implemented.

The aim of the sixth test is to verify the formalised presence of planning and control procedures, and their suitability in relation to the company's structure and objectives.

4. Case Study: "Tenuta Alba"

The company is a medium-sized enterprise located in north-east Italy that produces and sells its own brand of *spumante*. For reasons of confidentiality, we have called it "Tenuta Alba".

The company has a long history of wine making, and it is present on the Italian market with two different and only partially complementary positionings. The first one is based on traditional purchasing motivations associated with anniversaries and celebrations (its "traditional positioning") addressing a consumer target of men or women aged more than 35 years, with stable but not excellent jobs, who mainly buy from large-scale distributors, and lead ordinary routine lives. The second one is based on a more recently emerging need associated with the ritual of the *aperitif* and its related activities of socialisation (the "innovative positioning"). Its target is younger and stylishly elegant 30-year-olds with a medium-high spending capacity, who have consolidated jobs and stable lifestyles. The products for both targets are produced using the classic method.

The two positionings involve two different competitive spaces and, consequently, partially different players: the main competitors in the setting associated with the traditional positioning are other producers of wines made using the classic method: Italian *spumante* and, to some extent, French Champagne; the main competitors in the positioning associated with the innovative positioning are Italian producers of *Prosecco* sparkling wines made using the Martinotti-Charmat method.

What follows is a description of the application of the six diagnostic tests to "Tenuta Alba" in order to evaluate its overall strategy.

4.1 Application of the Model to "Tenuta Alba"

The first test allows an evaluation of the economic, financial and competitive results achieved so far. Extremely briefly, the economic/financial analysis of Tenuta Alba revealed a high level of profitability over the last five years and a financial structure that is strongly based on shareholders' equity.

The competitive results, which were assessed using a 4-level scale (1-low, 2-medium, 3-medium-high, 4-high), were as follows (Figure 1):

- "Tenuta Alba" has a significant advantage in the traditional competitive positioning because of its above-average value/cost performance (although this has declined over the last five years); its value/price performance is also slightly better than its competitors; its market shares are high.
- On the contrary, in the innovative positioning, it has a negative value/cost performance (disadvantage), a negative value/price performance, and minimal market shares.

TEST 1	WHAT COMPETITIVE RESULTS HAVE BEEN REACHED SO FAR?			
Scale value	*1*	*2*	*3*	*4*
1. Value Cost				
1.1 Traditional positioning				X
1.2 Innovative positioning	X			
2. Value price				
2.1 Traditional positioning			X	
2.2 Innovative positioning	X			
3. Quote di mercato				
3.1 Traditional positioning				X
3.2 Innovative positioning	X			

Figure 1 Test 1

After having analysed the economic/financial and competitive results, the second test was used to analyse whether the competitive positionings are internally and externally harmonious, with the following results.

The traditional positioning has a high level of internal consistency, whereas the innovative positioning has a number of inconsistencies. In particular, it is widely held that an *aperitif* requires a wine that is more similar to those obtained using the Martinotti-Charmat method (such as *Prosecco* wines) rather than a *spumante* obtained using the classic method (that used by "Tenuta Alba"). This inconsistency between need and product led to the identification of further risks related to the relationship between product and target customers (who tend to be younger than the usual consumers of the brand "Tenuta Alba"), and between the need and the price of a glass of wine (too high).

Finally, it is uncertain whether the two positionings are compatible with each other, given their different targets and, above all, the different distribution philosophies required. However, more recent decisions have gone in the direction of improving compatibility and so, using the same 4-level as that used for Test 1, the result of the test was "medium" (Figure 2).

TEST 2	ARE THE CHOSEN POSITIONINGS "HARMONIOUS"			
Scale value	*1*	*2*	*3*	*4*
4. Traditional Positioning				X
5. Innovative Positioning	X			
6. Among positionings		X		

Figure 2 Test 2

The strategic diagnosis continued with an evaluation of the resources available, which led to the following conclusions (Figure 3).

As a whole, the company has developed two strategic competences relating to its production (efficiency and low costs) and its large-scale distribution capability. These competences underlie the advantage of its traditional positioning, and should be appropriately developed and adapted so that they can also be used to the full in the innovative positioning.

Some of the findings of the analysis of the company's assets and capabilities were very positive (such as the nature of its financial sources, its brand, and its long-standing relations with large-scale distributors), whereas others were negative (e.g., the quality of its relations with exporters and specialist wine merchants). They generally seem to be capable of sustaining the company's acquired strategic competences, but not of favouring their application to the innovative positioning (or any other positioning for that matter), or generating new competences.

The evaluation of the functionality of the company's assets and capabilities was generally positive, but there were two exceptions: its saturated production capacity is incompatible with any significant growth of internal lines, and it does not have the marketing skills necessary for managing the innovative positioning.

TEST 3	WHAT RESOURCES ARE AVAILABLE, OR NECESSARY OR OBTAINABLE?			
Scale value	*1*	*2*	*3*	*4*
7. Strategic competences		X		
8. Strategic potential				
8.1 Financial resources				X
8.2 Brand				X
8.3 Relations with distributors				X
8.4 Relations with exporters	X			
8.5 Relations with wine specialists	X			
9. Functionality			X	

Figure 3 Test 3

The first three tests allow a summary judgement of the company's competitive position (the first level of evaluation) using the 4-level scale (low, medium, medium-high, high).

The advantage of "Tenuta Alba" in the traditional competitive setting has given rise to a good level of profitability and equity capital, and leadership role seems to be sound and defendable. However, the difficulties encountered with the innovative positioning (particularly in relation to the development of new strategic competences) indicate that it may have problems in facing new challenges: as often happens, success inhibits the propensity for innovation and weakens an organisation's ability to act quickly and flexibly.

Nevertheless, all things considered, the company merits a medium-high score in terms of its current competitive position (3 out of 4) (Figure 4).

Test	Overall valuation
Test 1 - What competitive results have been reached so far?	
Test 2 - Are the chosen positionings "harmonious"?	*3*
Test 3 - What resources are available, or necessary and obtainable?	

Figure 4 Competitive Positions Reached and Their Sustainability

Let us now turn to the principal findings of Test 4 in order to evaluate the competitive potential of "Tenuta Alba".

Analysis of the scenario revealed some relevant trends. The first is the generalised increase in the number of "bubble lovers" (consumers of sparkling wines in general). This has been accompanied by a progressive reduction in the average age of purchasers, and a slow change in the reasons for purchase from anniversaries and celebrations to personal gratification and socialisation.

The most significant critical factor in the traditional positioning is relations with distributors (large-scale distribution, restaurants and wine merchants); whereas in the case of the innovative positioning, the critical factors are relations with the bars that hold Italian versions of a "happy hour" in the big cities, and effective product communication to target consumers.

"Tenuta Alba" has a number of strong points, starting from its access to financial resources at corporate level but, at the same level, one weakness is its saturated production capacity. The most obvious strong point of its traditional positioning is its development of strategic competences in distribution, whereas its weakness is that its product needs rejuvenating. Its innovative positioning does not seem to have any major strong points over its competitors, whereas its weak points are its relations with target bars, the sensory nature of the product, and its lack of specific capabilities and competitive competences (as previously revealed by Test 3).

In terms of opportunities and threats, its accumulated corporate-level financial resources represent a great opportunity for company development in terms of strengthening its traditional positioning and developing its innovative positioning. However, the company's propensity for innovation is perhaps insufficient. The threats to the traditional positioning come from the penetration strategies of new competitors, a product that risks being perceived as old fashioned, and some signs that large-scale distributors are looking for more autonomy. However, the increase in the number of "bubble lovers" represents an opportunity to strengthen the company's leadership further. The many weak points of the innovative positioning make the most serious threat of its complete competitive failure plausible, although the lower average of purchasers and the changes in the purchasing motivations represent opportunities that could be taken advantage of.

Overall, the summary picture obtained by identifying the main opportunities and threats provides important indications concerning the company's potential insofar as (Figure 5):

- its financial resources and its excellent results in the traditional positioning reduce the competitive risk, which therefore cannot be considered high;
- the uncertainties concerning the innovative positioning and, to a lesser extent, the relatively poor quality of the opportunities reduce the potential of the situation;
- consequently, the level of the company's strategic potential can be judged medium.

TEST 4	STRATEGIC POTENTIAL	
10. Scenario		
	Increase of bubble lovers	Reduction in the average age of purchasers
	Change in the reasons of purchase	New competitors
11. Critical factors		
11.1 Traditional positioning	Relations with distributors	
11.2 Innovative positioning	Relations with happy hour bars	
12. Strong / weak points	**Strong points**	**Weak points**
12.1 Corporate	Financial resources	Saturated production capacity
12.2 Traditional positioning	Distribution competences	Old product
12.3 Innovative positioning		Relations with target bars; Sensory nature of the puduct
13. Opportunities / Threats	**Opportunities**	**Threats**
13.1 Corporate	Financial resources	Insufficient innovation propensity
13.2 Traditional positioning	Increase of "bubble lovers"	New competitors
13.3 Innovative positioning	Reduction in the average age of purchasers; Change in the reasons of purchase	
Overall valuation		**2**

Figure 5   Test 4

Test 5 revealed a contradictory picture (Figure 6). There are deficiencies in many aspects of the structure of the strategic project: for example, the competitive objectives have not been clearly defined (partially because of the substantial lack of a strategic vision) and their economic/financial implications have not been rationally developed, mainly in relation to the investment plan. The situation is made even worse by the fact that there is practically no action plan. The current strategic project limits itself to identifying some choices aimed at developing the innovative positioning and safeguarding its traditional counterpart without placing them in the context of an overall vision, and without defining the organisational and economic/financial impact of their consequences.

Nevertheless, despite these serious limitations, the analysis of the scenario, the company's competitive position and the availability of resources suggest that the strategic choices go in the right direction. In other words, even in the absence of an adequate structure, the underlying content of the project design (reconstructed with some difficulty by the analyst) can be saved.

The structural deficiencies are largely due to the poor quality of the process used to elaborate the strategic plan. The little information collected was randomly processed, and the majority of the strategic decisions were made on the basis of personal convictions that were unsupported by formalised hypotheses and analyses.

TEST 5	HOW EFFECTIVE IS THE STRATEGIC PLAN?			
Scale value	*1*	*2*	*3*	*4*
14. Structure of the strategic project	X			
15. Strategic project contents			X	
16. Analysis process	X			

Figure 6   Test 5

As in the case of Test 5, Test 6 (the implementation of the strategic project) revealed that “Tenuta Alba” has many difficulties. The structural deficiencies detected by Test 5 explain the problems encountered by company management in affecting organisational behaviours and practices: i.e. the weakness of the action plan and the lack of a formalised industrial plan.

In terms of implementation, there is a formalised and partially respected “rolling” planning procedure (updated annually), but a total lack of strategic control (Figure 7).

TEST 6	HOW EFFECTIVE IS THE COMPANY IN IMPLEMENTING THE STRATEGIC PLAN?			
Scale value	*1*	*2*	*3*	*4*
17. Organizational implications	X			
18. P&C process	X			

Figure 7 Test 6

At this point, it is possible to express an overall judgement of the companies planning capacity in terms of a summary of the results of Tests 5 and 6. The judgement is negative, and the situation will need to be remedied by means of appropriate organisational choices and new investments (Figure 8).

Test	*Overall valuation*
Test 5 - How effective is the strategic planning?	*1*
Test 6 - How effective is the company in implementing its strategy?	

Figure 8 Implementation of Strategic Design

In the light of what has emerged from the tests, the situation of “Tenuta Alba” can be described by means of the following three summary judgements:

(1) the current competitive position of the company can be attributed a medium-high score (3 out of 4);

(2) the analysis of competitive opportunities and threats indicates that the company’s strategic potential is medium (a score of 2 out of 4);

(3) the company’s planning capacity is poor (a score of 1 out of 4).

In general, it seems that the company has perhaps rested on its laurels for longer than it should. Given its currently favourable competitive position, its competitive potential should be a little greater, and its planning capacities should be much more sophisticated. It now has to face a process of strategic and organisational change: its availability of financial resources should assure it sufficient time to adopt the necessary decisions and implement the consequent actions.

5. Conclusions

In comparison with the traditional activities of analysis, planning and strategic control (whose relevance varies widely across company), diagnosis is an activity of verification and reflection that requires a certain detachment from previously taken decisions, and can be greatly helped by the contribution of a professionally qualified outsider.

The proposed model has both theoretical and practical implications as it not only contributes to the development of research into strategic diagnosis, but also provides managers with a useful means of activating the mechanisms of strategic governance necessary to set under way a process of monitoring and systemic assessment of their company's strategic design. In particular, the 6-test model can highlight critical factors of various kinds of which company management may not be fully aware, and competitive opportunities whose value and significance may not be fully appreciated.

This paper has a number of limitations, including the fact that it considers only one case study. Future research should consider a wider sample of cases, including organisations belonging to different industries and characterised by different levels of complexity. Furthermore, future studies could go more deeply into the implementation phase of the strategic process. However, despite these limitations, the results of this preliminary study should be viewed as representing a first step in a broader area of research that aims to underline the value of strategic planning within organisations.

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