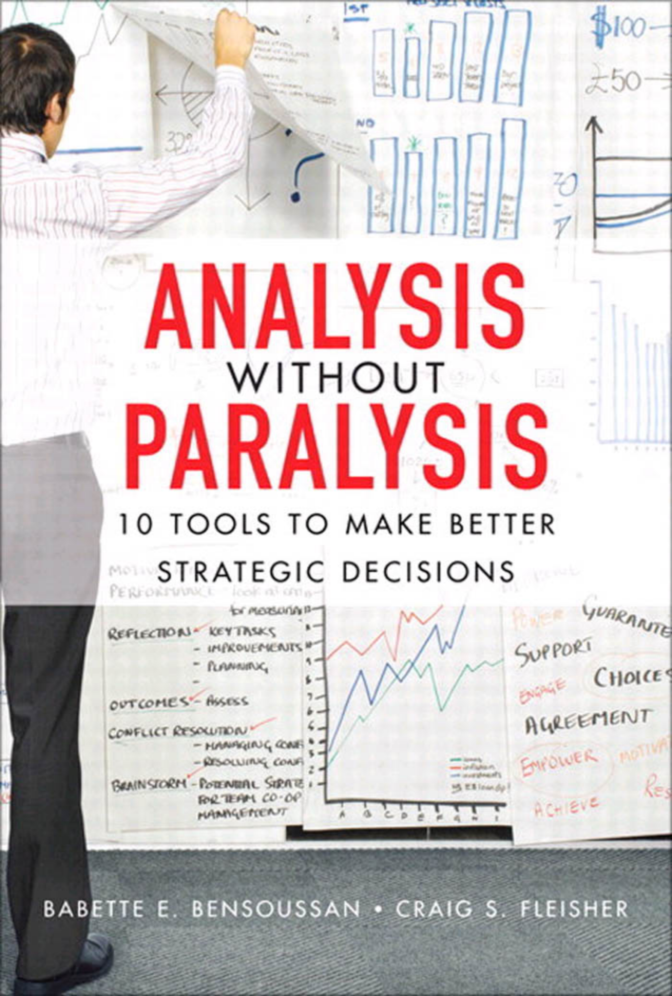

ANALYSIS WITHOUT PARALYSIS

10 TOOLS TO MAKE BETTER STRATEGIC DECISIONS

BABETTE E. BENSOUSSAN • CRAIG S. FLEISHER

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Business Management and the Role of Analysis

In today's information age, businessmen and businesswomen must increasingly be able to make sense of their competition, environments, organizations, and strategies to be successful. Business management is a way of conducting an organization that has as an ultimate objective the development of values, managerial capabilities, organizational responsibilities, and administrative systems that link strategic, tactical, and operational decision making at all hierarchical levels and across all lines of authority.

One of the key tasks of today's business executives is to participate in and contribute to their organizations' strategies. Sadly, strategy is an overused word that means different things to different people. Even distinguished management scholars and senior executives can be hard pressed to define it or to agree on what it entails.

Although we really do not want to muddy the waters and add further to the lengthy list of definitions out there, we do know with confidence that winning strategies are based on originality and uniqueness—being "different" than competitors in ways that customers value. The idea of these differences has been defined by economists to mean competencies, and in strategic management terms, this means trying to develop distinctive organizational resources and competencies. These competencies should then be leveraged through clearly thought-out strategies into a competitive advantage in light of the organization's market.

A competitive advantage is the distinct way an organization is positioned in the market to obtain an edge over its competitors. This status is most commonly evidenced by the organization's ability to generate and maintain sustained levels of profitability above the industry average. The process that is primarily associated with helping an organization to attain competitive advantage is strategic planning, which can be defined as a disciplined and systematic effort to fulfill specifications of an organization's strategy as well as the assignment of responsibilities for its execution. This process is shown as follows in Figure 1.1.

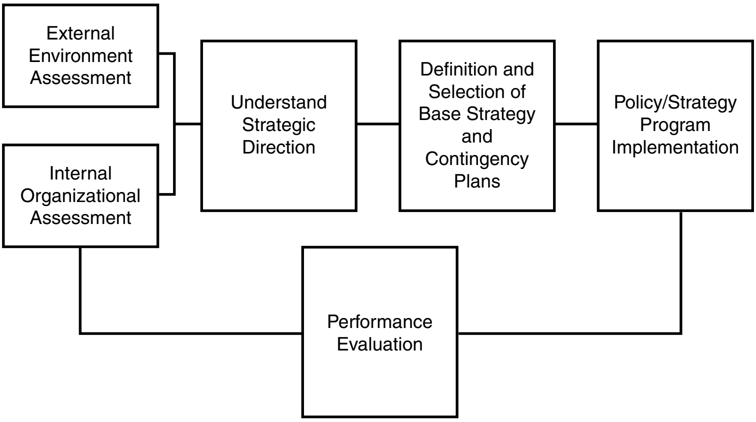

Figure 1.1 A generic strategic planning process

Management decisions in the strategy development process are concerned with the following:

- **The scope of the organization's activities.** Where are we going to operate? What customers will we target? Which competitors will we avoid? What parts of the value chain will we emphasize? What will we do ourselves and what will we outsource?
- **The matching of an organization's activities to its environment.** This is the idea of finding a strategy that creates a desirable level of "fit."

- **The matching of an organization's activities to its resource capability.** This requires working within our means while winning customers and generating profits.
- **The implications for change throughout the organization.** These are likely to be complex in nature and will require excellence in execution or strategy implementation.
- **The allocation and reallocation of significant resources of an organization.** This requires us to seek resource optimization in using our assets where they can be maximized.
- **The values, expectations, and goals of those influencing strategy.** This means that decision makers understand what is happening and have a clear sense of where the organization needs to go both now and into the future.
- **The direction the organization will move in the long run.** This can be over five to ten years or more, depending on the nature of change and competition affecting an industry.

Within this process, management decisions may differ depending on the timing and the responsibility of the decision makers. These decisions would most commonly be identified as strategic, tactical, or operational. By this we mean

- **Strategic decisions** have significant resource allocation impact, set precedents or tone for decisions further down the organization, are infrequent in nature and may actually be irreversible, and have a potentially material effect on the organization's competitiveness within its marketplace. They are made by top managers and affect the business direction of an organization.
- **Tactical decisions** are less all-encompassing than strategic ones and involve formulating and implementing policies for the organization. They are usually made by mid-level managers and often materially affect functions such as marketing, accounting, production, or a business unit or product as opposed to the entire organization. Tactical decisions generally have lesser resource implications than strategic decisions.
- **Operational decisions** support the day-to-day decisions needed to operate the organization and take effect over a few days or weeks. Typically made by a lower-level manager,

operational decisions are distinct from tactical and strategic decisions in that they are made frequently and often "on the fly." Operational decisions tend to be highly structured, often with well-defined procedure manuals or within readily understood parameters.

Finding the means for achieving this "fit" or congruence between an organization and its (business or competitive) environment is a critical task of any senior executive and requires sound analytical efforts and some thinking about the global environment in which the organization competes.

No senior executive can be expected to know the entire competitive terrain well enough to correctly call all the shots. Within today's complex, chaotic, globally competitive environment, the pressing need for making sense, strategic thinking, and improved understanding of the competitive terrain is why organizations need to develop and enhance their analytical abilities.

Analysis needs to be done well to help organizations succeed.

But isn't analysis something that everyone learns during schooling or on the job? Can't we just get by like everybody else and rely solely on our intuition, gut, experience, and so on to succeed well into the future?

The answer to these questions is, "No"—and particularly not these days. See Table 1.1 for a brief explaination of what we do and do not mean by analysis.

At a minimum, good analysis of your competition, environment, organization, and strategy should help you deliver the following:

- Early warning of potentially developing opportunities or emerging threats in your competitive environment.
- An objective and arm's-length assessment of your organization's relative competitive position.
- The ability to help your organization to more quickly and easily adapt to changes in the environment.

TABLE 1.1 Identifying Analysis

	What Analysis *Is*	What Analysis Is *Not*
Methods	The practiced application of proven technologies.	Constant usage of industry conventions and one-off solutions.
Process	A method and set of steps designed to effectively break a situation into its component elements and recompose it in a way that addresses a challenge or question.	"We just kind of know what it is, how to do it, and fortunately, have managed to get by so far." "We hire consultants to do it for us."
Output	Actionable insight, intelligence/meaning, and implications derived from data and information.	Repackaged, reorganized, reclassified data and information. Often a summary of the information at hand. No meaningful conversion.
Data sources	Legal and ethical gathering of relevant data or information driven by the needs defined in the structuring of the analytical question.	Seeking and using data or information from illegal sources or by unethical means—often incomplete.
Support systems	Using application-relevant communication, information, and management systems to supplement your thinking.	A software application or solution you can acquire and apply "off the shelf." Magic-bullet solutions.
Timing	Provided in advance of any decisions.	Rushed to provide support to an answer that has been decided.
Communication channel	Conducted in whatever means the decision maker can best accept and use it.	Done via "formal" reports with a specific format. Always in writing.
Questions answered	What? So What? Now What?	Just something nice to know—providing no insights.
Catalyst	Yours or your boss' discussed need to know something. The need to better position your organization in its competitive marketplace.	What you think or hope is important to the executive. The need to demonstrate we are actually doing something.

- The means for basing your organization's strategic, marketing, sales, or product plans on relevant and timely insights.
- Confidence that decisions are based on systematically derived understanding that reduces ambiguity and complexity to low levels.

The driving purpose of performing analysis is to better understand your industry, context, and competitors in order to make better decisions. Improving the quality of decision making should hopefully improve the quality of strategies that provide a competitive advantage, which in turn delivers performance results that are superior to your competitors'.

The output of any analysis should be actionable—that is, future-oriented—and should help decision makers to develop better competitive strategies and tactics. Analysis results should also facilitate a better understanding than competitors have of the competitive environment and identify current and future competitors, specifically their plans and strategies. *The ultimate aim of analysis is to produce better business results!*

The Increasing Need for Effective Analysis

As indicated earlier, getting business results from analysis has become a more important facet of competitiveness in recent years due to a number of important reasons.

First, globalization has increased the absolute level of competition present in most marketplaces. In the past, a competitor could sustain marketplace advantages by being in the right place at the right time. Geographic, physical, and sociopolitical barriers kept competitors at bay and out of many marketplaces. Most of these barriers are falling or have fallen in light of vast progress made in communication, information systems, trade policy, and transportation. New competitors quickly appear when and where these marketplace barriers fade.

And new competitors may compete very differently than existing competitors. They may have learned their business in different contexts, often faced differing customer demands, utilized unique resources, and understood competition based on these unique contexts and experiences. No longer can organizations expect competitors to compete by age old "rules of the game" or "same old" industry means of competing. Sometimes, the form of competition may not even appear logical, insightful, or ethical, yet all the while being legal. Because of this new global competition, the need to thoroughly understand competitors and business contexts grows in importance.

Second, the global economy is increasingly being characterized as a *knowledge economy*. A paradigm shift, whereby a large proportion of individuals have changed their way of seeing the world and now see it from a new shared perspective, has occurred as we move further away from the industrial economy paradigm that dominated most of the last two centuries. As opposed to producing tangible "things" with plants, property, and equipment, services and related "intangibles" associated with people and what they know now constitute the largest part of GDP in most of the leading economies, and services are more knowledge-based than material-based.

Many companies are amassing data and information while at the same time not recognizing that *knowledge* is not the same thing as *information*. Because of improvements in communication channels, information is available in quantities previously unseen. Information has become increasingly infused with noise, redundancy, ambiguity, and is of lower value. It is a product in what economists call a "state of oversupply" in most developed economies, and this is also becoming true in lesser developed economies. Sustaining a competitive advantage requires companies to uniquely apply data and information, to create order out of chaos and complexity, and to leverage and transfer knowledge while striving toward acquiring expertise.

Knowledge is the capacity to act. The conversion of knowledge to business insights and action requires competence in analysis or sense making. Competence embraces such things as experience, factual understanding about industry and organizational conditions, decision-making and managerial skills, and making insightful value judgments. Competence is developed through making mistakes, practice, reflection, repetition, and training. More than ever before, the knowledge economy means that organizations will need to develop further their resources, abilities, competence, and ultimately expertise if they intend to gain or sustain a competitive advantage.

Third, the new economy is characterized by increasing imitability, whereby competitors have a greater ability than ever before to quickly replicate and copy most facets of a new product or service offering. Fending off imitators is increasingly difficult because of market complexity and the subsequent need to involve other organizations in alliances, collaborations with competitors, spin-offs, and ever-changing outsourcing and staffing arrangements between organizations. As a result of the protection of a product/service through legally recognized vehicles such as copyrights, patents, and/or trademarks, it is now easy for a competitor to manufacture around a new offering because so much information about its inner workings is available publicly. Finding this information has also gotten easier in an age where governments and international agencies must share this information with one another to establish the legal viability of a new offering. More than a few companies succeed by being "quick seconds" or "fast followers" into the marketplace and stressing their competitive abilities at getting an improved product/service offering that customers appreciate quickly after the originator.

Fourth, there are the problems and opportunities caused by increasing complexity and speed. Underlying the changing marketplace is communication and information technology that allows for the transfer of data to take place at faster rates than ever before. This change in mechanical means occurs all the while the human ability to process data remains essentially stable.

A decade or two ago a company could establish a formidable lead for several years by offering new product/service introductions. Today a company's time at the top in a market-leading position has shrunk to a *much* shorter duration; in other words, the interval a company enjoys as "market leader" has fallen to previously unforeseen levels. The cycle time underlying new product/service introductions is also shorter, and companies have to continue shrinking it while at the same time increasing the number of introductions they make to stay ahead of competitors.

Concluding Observations

As we stated earlier, all of these factors necessitate good competitive insights. And good competitive insights require effective analysis. Successful business analysis requires understanding environments, industries, and organizations. This comes from, among other things, experience, solid data and information, and the proper choice and utilization of analytical techniques.

Today's businesspeople need to do a better job of making sure that the analysis they perform is based on sound, proven methodologies. Hopefully in the future you will master a core set of methodologies that will make the way you evaluate data and information more effective and more decision-relevant. At a minimum, after reading this book, you will know at least ten methodologies to help you on your path.

This book contains ten of the more well-known and more heavily utilized analytical techniques for assessing the external and internal organizational environments (refer to Figure 1.1) and is designed to assist any businessperson who needs to develop insights and make sense of the business environment. It is based on our many decades of experience consulting, practicing, and researching how business and competitive analysis is used in all types of enterprises, whether public or private or large, medium, or small.

Our underlying premise throughout this book is that businesspeople working in any environment must have a robust and healthy selection of tools and techniques to help them answer important questions about their enterprises' abilities to compete, not only in the present, but also the future.

Uniquely, this book focuses specifically on analysis. It is not designed to be another business management or strategic planning text; on the other hand, we must admit that the processes and techniques described herein can certainly benefit strategic planners and managers. There are plenty of good titles on these topics available in most bookstores, and we routinely refer to many of them ourselves. What surprises us, though, about competitive and strategic analysis is the limited number of tools and techniques used by most businesspeople and how little genuine insight results from them when they have *scores* of techniques at their disposal!

These adverse results occur not only because some tools are badly chosen, outdated, or incorrectly used but also because they are misunderstood and/or misapplied. Even those individuals who get a good business school education may not have had the appropriate contexts, instruction, experiences, or guidance in employing these techniques effectively to deal with "real-world" sense-making challenges.

This book provides instruction on a range of tools and techniques, evaluation of each technique's strengths and weaknesses, as well as an outline of the process used to actually employ the technique. It also includes sample applications, resulting overall in that vital ingredient—insight.

Being a businessperson in an enterprise facing a high degree of competitive rivalry is difficult, especially if an individual is inexperienced and/or lacks appreciation of the art of analysis. And the analytical challenge for businesspeople today is more daunting than ever for a number of reasons, including the following:

- **Pressure for a quick judgment.** Competitors are moving fast, investors and shareholders want the quarterly performance targets on time, customers want solutions yesterday—and nobody is willing to wait. Time is the most precious resource for businesspeople; consequently, time will always be in short supply. Decisions are often made on the basis of "what we know now" because the situation simply does not allow for delay. As such, you need to constantly seek established data collection and classification systems that can provide reliable outputs quickly. Businesspeople everywhere need to address the increasingly time-starved context within which they work and assess its ramifications.
- **Highly ambiguous situations.** Ambiguity comes in many forms. It can emanate from the nature of competition, the range of competitive tactics employed, key stakeholders' responses in a competitive arena, product and/or process enhancements, consumer responses to competitive tactics, and so on. These types of interjections have been studied by researchers who have recognized that ambiguity can be a potent barrier to competitive imitation and allow for a competitor to sustain an advantage for a longer period.
- **Incrementally received/processed information.** Rarely will you get the information you need in time and in the format you require. The inability of traditional executive information systems to capture, classify, and rank rumors, gossip, grapevine data, and knowledge held by employees out in the field means that you may lack the kind of primary source information that has always been the "jewel in the crown" element that makes analysis so valuable.

Excellent analysis is the key to successful business insights, and good insights can provide high-value, anticipatory decision support capability in contemporary enterprises. Insight about customers, competitors, potential partners, suppliers, and other influential stakeholders is a company's first—and often only—line of offense or defense. Maintaining this capability into the future requires business executives to exploit every opportunity to deliver analysis that is persuasive, relevant, timely, perceptive, and actionable.

Analytical outputs must provide the decision-making process with the essential insight needed to preserve an organization's competitiveness and highlight early warning signs of market changes. We expect that this book will provide you with some helpful guidance and assistance in delivering improved insights to support your organization's competitive endeavors and in achieving market sense-making objectives.

INDEX

G–H

I

J–K

L

M

N–O

P

Q

R

S