Analysis Without Paralysis

12 Tools to Make Better Strategic Decisions

Babette E. Bensoussan
Craig S. Fleisher
This book is dedicated not only to our wonderful family and friends but to all the dedicated business people who are seeking better insights in a constantly changing world
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Finally, I would like to thank my many clients and colleagues for the challenges and questioning that made me realize there had to be a simpler way to do business analysis without being left in a state of paralysis. I hope this little book provides you with the necessary tools to solve some of your problems.

—Babette Bensoussan

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—Dr. Craig S. Fleisher

Many of the techniques described in this book were conceptualized by leading economists, financial and cost accountants, futurists, business professors, consultants, and other insightful practitioners or scholars. They often developed their ideas to solve pressing analytical problems they faced. We are grateful to these individuals for increasing our understanding of business, competitive, and strategic analysis. We have made a sincere effort to acknowledge the origins of these techniques in this book. Nevertheless, sometimes accurately making this acknowledgment can be difficult, such as when the technique (for example, SWOT) was quickly and widely accepted and came to form the commonly held body of knowledge underlying organizational decision-making.
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The Role of Analysis in Business Management

How many pilots can fly their planes without receiving signals about what lies in front of them, how fast they are going, what the weather conditions are, and how well their airplane is performing? How many generals would lead their armies into battle without having first scouted the terrain, acknowledged the enemy, understood their own and rivals’ forces, and thought about the moves and counter-moves they and their opponents might make? The answer to those two questions should be “very few.” Yet, how many business executives are surprised by new competitive strategies and tactics, do not understand why their organizations are losing, or make poor decisions due to the absence of key information or insights? If you go by the number of examples that are offered up every day in the business media, the answer is “far too many.”

In today’s information age, businesspeople must increasingly be able to make sense of their competition, environments, organizations, and strategies to be successful. Analysis, the way we approach it in this book, is a sense-making activity. Successful analysts generate actionable, relevant, and timely insights and give that sense (sense-giving) to others, who act on it to create a more desirable future for their organization. In essence, an analyst defines and produces a better future reality (insights) for clients (executives) whose decisions will create it.

Business management is a way of conducting an organization. Its objective is to develop values, managerial capabilities, organizational responsibilities, and administrative systems that link strategic, tactical, and operational decision-making at all levels and across all lines of authority. Effective management is undergirded by helpful analytical insights.
One of the key tasks of today’s business executives is to participate in and contribute to their organizations’ strategies and tactics. 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 agree on what it entails.

Although we really do not want to muddy the waters and add to the lengthy list of definitions, we do know that winning strategies are based on originality and uniqueness—being different from competitors in ways that customers value. The idea of these differences has been defined by economists in terms of competencies. In strategic management terms, this means trying to develop distinctive organizational processes, relationships, and resources. Companies that develop these distinctive competencies are usually best able to leverage them in the marketplace and achieve a competitive advantage.

A competitive advantage is the distinct way in which 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 attain competitive advantage is strategic planning (see Figure 1.1). This can be defined as a disciplined and systematic effort to develop, plan, and specify an organization’s strategy, as well as assigning responsibilities and resources for executing it.

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

- **The scope of the organization’s activities.** The most overlooked element of strategy, this addresses questions such as Where will we operate? What customers will we target? Which competitors will we avoid or take on? What parts of the value chain will we do ourselves, and what should we outsource?

- **Aligning an organization’s activities with its environment.** This is the idea of finding a strategy that creates a desirable level of “fit.” Environments often change, and strategies must be dynamic and flexible to effectively address these changes.

- **Matching an organization’s activities to its resource capability.** This requires working within our means while winning customers and generating profits.
• The implications of change throughout the organization. These are likely to be complex in nature and will require excellence in execution or strategy implementation.

• Allocating and reallocating an organization’s significant resources. This requires us to seek resource optimization in using our assets where they can be most highly valued.

• The values, expectations, and goals of those influencing strategy. Decision-makers understand what is happening and have a clear sense of where the organization needs to go both now and in the future.

• The direction in which the organization will move in the long run. This can be five to ten years or more, depending on the natures of change, dynamism, 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:

• Strategic decisions support the organization’s vision, mission, values, and have significant resource allocation impact. They
set precedents or the tone for decisions further down in the organization, occur infrequently, may 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 organization’s business direction.

- **Tactical decisions** are less all-encompassing than strategic ones; they 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 fewer resource implications than strategic decisions.

- **Operational decisions** support the day-to-day decisions needed to operate the organization; they take effect over a few days or weeks. Typically made by a lower-level manager, operational decisions differ 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.

Figuring out how to achieve this fit or congruence between an organization and its (business or competitive) environment is a critical task for any senior executive. It requires sound analytical efforts and thinking about the global environment in which the organization competes. This process requires systematic attention, which is in surprisingly short supply in too many organizations.

No senior executive can be expected to know the entire competitive terrain well enough to correctly call all the shots. Within today’s complex, uncertain, risky, chaotic, and globally competitive environment, the pressing need to make sense, think strategically, and improve 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 their 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—especially not these days. Table 1.1 explains what we do and do not mean by analysis.
### Table 1.1  Defining Analysis

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<th>What Analysis Is</th>
<th>What Analysis Is Not</th>
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<tr>
<td><strong>Methods</strong></td>
<td>The practiced application of proven technologies. It combines science, art, and craft.</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>A method and planned set of steps designed to effectively break a situation into its component elements and re-compose it in a way that addresses a challenge or question.</td>
</tr>
<tr>
<td><strong>Output</strong></td>
<td>Actionable insight, intelligence, meaning, and implications derived from data and information. Future-oriented, accurate, resource-efficient, objective, useful, and timely (FAROUT).</td>
</tr>
<tr>
<td><strong>Data sources</strong></td>
<td>Legal and ethical gathering of data or information, driven by the client’s needs defined in the structuring of the analytical question. Sources and their content are qualified and validated.</td>
</tr>
<tr>
<td><strong>Support systems</strong></td>
<td>Using application-relevant communication, information, and management systems to supplement your thinking.</td>
</tr>
<tr>
<td><strong>Timing</strong></td>
<td>Provided well in advance of any decisions to be made. Early warning.</td>
</tr>
<tr>
<td><strong>Communication channel</strong></td>
<td>Conducted in whatever way the decision-maker can best understand and use it. Much face-to-face and interactive discussion.</td>
</tr>
<tr>
<td><strong>Questions answered</strong></td>
<td>What? So what? Now what? What then?</td>
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At a minimum, good analysis of your competition, environment, organization, and strategy should help you deliver the following benefits to decision-making:

- Early warning of potentially developing opportunities or emerging threats in your competitive environment and more time to address them
- An objective and arm’s-length assessment of your organization’s relative competitive position, strengths and limitations, and competencies
- The ability to help your organization adapt more quickly and easily to changes in the environment, thereby avoiding typically unpleasant surprises
- The means to base your organization’s strategic, marketing, and sales or product plans on relevant, actionable, and timely insights
- Valuable additions to the organization’s cumulative base of knowledge and learning
- Greater confidence that decisions are based on systematically derived understanding that reduces ambiguity and complexity to acceptably low levels

The driving purpose of performing analysis is to better understand your industry, context, and competitors to make better decisions and achieve enhanced results. More effective decision-making hopefully should 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 develop better competitive strategies and tactics. Analysis results should also facilitate a
better, asymmetric understanding than competitors have of the competitive environment and help plan and deliver marketplace actions that others cannot match. The ultimate aim of analysis is to produce better business results!

**The Increasing Need for Effective Analysis**

As mentioned, 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 the vast progress made in communication, information systems, knowledge, technology, trade policy, and transport. New competitors quickly appear when and where these marketplace barriers are disrupted or fade.

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

Second, the global economy is being characterized as a *knowledge economy*. A paradigm shift has occurred as we move further from the industrial economy paradigm that dominated most of the last two centuries. Plants, property, and equipment produce tangible things. But services and related intangibles associated with people, what, and who they know now constitute the largest part of the GDP in most of the
leading economies. Services are more relationships and knowledge-based than materials-based.

As evidenced by the massive growth in data storage in recent years, many companies are amassing data and information without realizing that knowledge is not the same thing as information. Because of improvements in communication channels, information is available in previously unseen quantities. Information has become increasingly infused with noise, redundancy, and ambiguity, and therefore is of lower value. It is akin to business professionals “drinking from the fire hose” and is in what economists call a state of oversupply. Sustaining a competitive advantage requires companies to uniquely gather and apply data and information, to create order out of chaos and complexity, and to leverage and transfer knowledge while striving to acquire expertise. Those who do this well achieve information asymmetries, which are highly valuable to their strategy development.

Knowledge is the capacity to act. Converting knowledge into business insights and action requires competence in analysis, sense-making, and sense-giving. Competence embraces such things as experience, factual understanding about industry and organizational conditions, decision-making and managerial skills, and making insightful value judgments. Analytical competence is frequently developed through trial, making mistakes, practice, reflection, repetition, and training. More than ever before, the knowledge economy means that organizations need to further develop 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 or service through legally recognized vehicles such as copyrights, patents, and 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 become 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 by stressing their competitive ability to quickly offer an improved product or service after the originator.

Fourth, both problems and opportunities arise from increasing complexity and speed. Underlying the changing marketplace is communication and information technology that allows data transfer to take place at faster rates than ever before. But while this change in mechanical means has happened, the human ability to process data has remained essentially stable.

A decade or two ago, a “first mover” company could establish a formidable lead for several years by introducing new products or services. 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 or “half-life” a company enjoys as a market leader has fallen to previously unforeseen levels. The cycle time underlying the introduction of new products or services is also shorter. Companies must continue reducing this amount of time while increasing the number of introductions they make to stay ahead of competitors. Innovation is more important than ever, and analysis complements and supports it!

Concluding Observations

As stated earlier, all 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 a dozen demonstrated methodologies to help you move faster and better along your path.

This book describes 12 of the more well-known and heavily utilized analytical techniques for business, competition, environment, and markets. They are designed to assist any businessperson who needs to develop insights and make sense of strategy in the larger business environment. This book is based on our many decades of knowledge, skills, and experience in consulting, practicing, teaching, and researching how business and competitive analysis is used. It is applicable to all types of enterprises, whether public or private, giant, medium, or small.

This book’s premise is that businesspeople working in any environment must have a robust and healthy selection of tools and techniques to help them address important issues and answer important questions about their enterprises’ abilities to compete—not only in the present, but also in the future. Unfortunately, we have seen far too many instances where a limited set of tools was used and competitive insights were in short supply. Much like the tradesperson who has only a hammer, they’d better hope that everything they work on involves nails!

Uniquely, this book focuses specifically on analysis. It is not designed to be another business management or strategic planning text. At the same time, we must admit that the processes and techniques described here certainly can benefit strategic planners and managers. Plenty of good books on these topics are available; we routinely reference many of them ourselves. What surprises us, though, about competitive and strategic analysis is the limited number of tools and techniques most businesspeople use 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 used incorrectly but also because they are misunderstood or misapplied. Even 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 or sense-giving challenges.
This book provides instruction on a dozen tools and techniques, evaluates each technique’s strengths and weaknesses, and outlines the process used to actually employ the technique. It also includes sample applications, resulting 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 or lacks appreciation of the art of analysis. The analytical challenge for businesspeople today is more daunting than ever for a number of reasons:

- **Pressure for a quick judgment.** Competitors move 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, it is always in short supply. Decisions are often made on the basis of what you currently know because the situation simply does not allow for delay. Therefore, 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 or process enhancements, consumer responses to competitive tactics, and so on. Researchers have studied these types of interjections. They have figured out that ambiguity can be a potent barrier to competitive imitation and can allow 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 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 attack 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 opportunities or 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 its market sense-making and sense-giving objectives.
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