

SECOND EDITION

ANALYSIS WITHOUT PARALYSIS

12 TOOLS TO MAKE BETTER
STRATEGIC DECISIONS



Babette E. Bensoussan • Craig S. Fleisher

Analysis Without Paralysis

12 Tools to Make
Better Strategic Decisions

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*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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Contents

	Acknowledgments	ix
	About the Authors	xi
Chapter 1	The Role of Analysis in Business Management	1
	The Increasing Need for Effective Analysis	7
	Concluding Observations	9
Chapter 2	The Analysis Process	13
	What Is Analysis?	16
Chapter 3	BCG Growth/Share Portfolio Matrix	23
	Description and Purpose	23
	Link to the Experience Curve	24
	Link to the Product Life Cycle	25
	Combining the Experience Curve and Product Life Cycle	26
	Strengths	29
	Weaknesses	30
	How to Do It	32
	Case Study: Google as Viewed in a BCG Portfolio Planning Matrix	39
Chapter 4	Competitor Analysis	45
	Description and Purpose	45
	Strengths	47
	Weaknesses	47
	How to Do It	48
	Case Study: Chinese Mobile Phone Market	59
Chapter 5	Driving Forces Analysis	63
	Description and Purpose	63
	Strengths	64
	Weaknesses	65

	How to Do It	66
	Case Study: Driving Forces in the Digital Music Market	75
Chapter 6	Financial Ratios and Statement Analysis	81
	Description and Purpose	81
	Basic Concepts Underlying Financial Ratio and Statement Analysis (FRSA)	81
	Components of Financial Statements	82
	Assessing the Appropriateness of Ratios	83
	Strengths	84
	Weaknesses	84
	How to Do It	86
	Activity or Efficiency Ratios	87
	Leverage or Solvency Analysis Ratios	90
	Liquidity Analysis Ratios	91
	Profitability Analysis Ratios	93
	Other Analysis Ratios: Capital Market or Shareholder Returns	95
	Methods of Ratio or Measure Comparison	98
	Consolidation and Segmented Analysis	102
	Case Study: FRSA of the Three Large North American Warehouse Clubs	104
Chapter 7	Five Forces Industry Analysis	109
	Description and Purpose	109
	Threat of New Entrants	111
	Bargaining Power of Suppliers	112
	Bargaining Power of Buyers	113
	Threat of Substitute Products or Services	114
	Degree of Rivalry Among Existing Players	115
	Strengths	116
	Weaknesses	117
	How to Do It	118
	Case Study: Applying the Five Forces Model to the U.S. Passenger Airline Industry	120
	Case Study: Applying the Five Forces Model to the Global Pharmaceutical Industry	123

Chapter 8	Issue Analysis	127
	Description and Purpose	127
	Strengths.	129
	Weaknesses	130
	How to Do It	131
	Examples of Issue Analysis in Practice	144
Chapter 9	Product Life Cycle Analysis	147
	Description and Purpose	147
	Strengths.	156
	Weaknesses	157
	How to Do It	158
	Case Study: Apple's Product Life Cycles and Growth Potential from the iPod to the iPad.	163
	Endnotes	165
Chapter 10	Scenario Analysis	167
	Description and Purpose	167
	Methods for Generating Scenarios	168
	Strengths.	172
	Weaknesses	173
	How to Do It	174
	Case Study: Scenarios for Traditional and Emerging Forest Products Enterprises	179
	Endnotes	184
Chapter 11	Macroenvironmental (STEEP/PEST) Analysis.	187
	Description and Purpose	187
	Strengths.	191
	Weaknesses	192
	How to Do It	193
	Case Study: STEEP Analysis of the Life and Death of Brands	197
Chapter 12	SWOT Analysis	199
	Description and Purpose	199
	Strengths.	202
	Weaknesses	202

	How to Do It	204
	Case Study: Lockheed Martin Corporation	213
	Endnote	222
Chapter 13	Value Chain Analysis	223
	Description and Purpose	223
	Strengths.	229
	Weaknesses	230
	How to Do It	231
	Case Study: Value Chain Analysis of Walmart Stores	242
Chapter 14	Win/Loss Analysis	249
	Description and Purpose	249
	Strengths.	250
	Weaknesses	252
	How to Do It	254
	Win/Loss Case Study: Email Marketing Solutions.	260
	Index	263

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—Babette Bensoussan

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—Dr. Craig S. Fleisher

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1

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 countermoves 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.

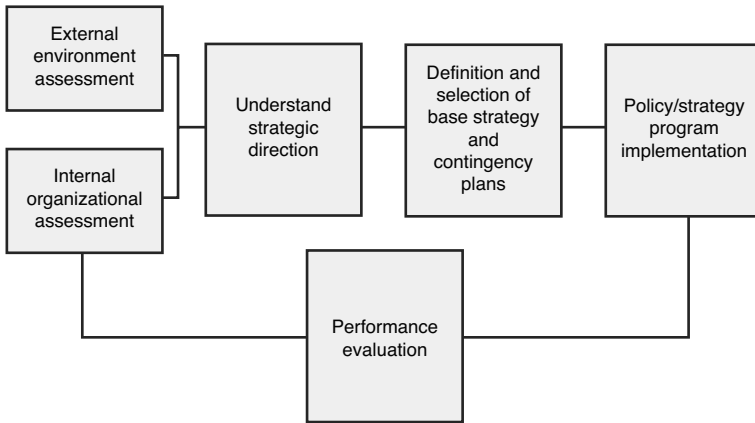


Figure 1.1 A generic strategic planning process.

- *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

	What Analysis Is	What Analysis Is Not
Methods	The practiced application of proven technologies. It combines science, art, and craft.	Constant usage of industry conventions and one-off solutions. Using the same things over and over again.
Process	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.	Ad hoc. “We just kind of know what it is and how to do it. Fortunately, we have gotten by so far,” “We just know these things,” or “We hire pricy consultants to do it for us.”
Output	Actionable insight, intelligence, meaning, and implications derived from data and information. Future-oriented, accurate, resource-efficient, objective, useful, and timely (FAROUT).	Synthesis in the form of repackaged, reorganized, reclassified data and information. Often a “cut and pasted” summary of the information at hand. No meaningful conversion.
Data sources	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.	Seeking and using data or information from illegal sources or by unethical means, often incomplete. Mostly “nice to know” data that does not inform or that clients already knew.
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 well in advance of any decisions to be made. Early warning.	Rushed to provide support to an answer that has already been decided. Too late.
Communication channel	Conducted in whatever way the decision-maker can best understand and use it. Much face-to-face and interactive discussion.	Done via “formal” reports with a specific format. Always in writing. Too much e-mail and “push.”
Questions answered	What? So what? Now what? What then?	Huh? What is this about? Is there anything critical or new here? What can I take away or do with this?

	What Analysis Is	What Analysis Is Not
Catalyst	Forthcoming decisions. Yours or your boss's discussed needing to know something. The need to better position your organization in its marketplace.	What you think or hope is important to the executive. The need to demonstrate that we are actually doing something. Our rivals are doing it, and so should we.

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.

Index

A

- accessing value chains
 - primary activities, 230-232
 - support activities, 232-233
- accounts receivable
 - activity ratios, 88
 - accounts receivable to sales, 89*
 - accounts receivable turnover, 89*
 - average collection period, 88-89*
 - efficiency ratios, 88
 - accounts receivable to sales, 89*
 - accounts receivable turnover, 89*
 - average collection period, 88-89*
- accounts receivable to sales, 89
- acquisitions, value chain analysis, 226
- across time performance, comparing ratios, 98
- actionable SWOT, 218
- activity ratios, 87
 - accounts receivable, 88
 - accounts receivable to sales, 89*
 - accounts receivable turnover, 89*
 - average collection period, 88-89*
 - asset turnovers, 89
 - inventory, 87
 - average inventory investment period, 87*
 - inventory to sales, 87-88*
 - inventory turnover analysis, 88*
- advocacy issues, 138
- aggregation, product life cycle (PLC) analysis, 161
- airline industry, Five Forces Industry Analysis, 120-123
- alliances, value chain analysis, 228
- Almanac of Business and Industrial Financial Ratios, 99
- analysis, 16-17
 - benefits to decision-making, 5
 - competitor analysis. *See* competitor analysis
 - defined, 1, 4-6
 - driving forces analysis (DFA). *See* driving forces analysis (DFA)
 - environmental analysis, 200
 - financial statement analysis. *See* financial statement analysis, 81
 - Five Forces Industry Analysis. *See* Five Forces Industry Analysis
 - generic approach to analysis, 17
 - industry analysis, 109-111
 - issue analysis. *See* issue analysis
 - need for effective analysis, 7-9
 - product life cycle (PLC) analysis. *See* product life cycle (PLC) analysis
 - ratio analysis. *See* ratio analysis, 81-83
 - reasons for poor management of, 14-15
 - reputation of, 13-14
 - scenario analysis. *See* scenario analysis
 - STEEP (social, technological, economic, ecological, and political/legal). *See* STEEP (social, technological, economic, ecological, and political/legal)
 - SWOT (strengths, weaknesses, opportunities, and threats) analysis. *See* SWOT (strengths, weaknesses, opportunities, and threats)
 - value chain analysis. *See* value chain analysis
 - vertical linkage analysis, 238-240
 - win/loss analysis. *See* win/loss analysis
- analysis process, 15-16, 18-19
 - success of, 21

analytical challenges for
 businesspeople, 11
 analyzing
 factors, SWOT (strengths, weaknesses,
 opportunities, and threats), 206-209
 issues, 137-139
 Andrews, Ken, 199
 Apple (iPod to iPad), product life cycle
 (PLC) analysis, 163-164
 assessing
 appropriateness of ratios, 83
 Five Forces Industry Analysis, 118-119
 impact of DFs, 70-74
 issues, 137-139
 asset turnovers
 activity ratios, 89
 efficiency ratios, 89
 assets, 81
 assumptions, competitor analysis
 (Chinese mobile phone markets), 62
 attacking strategies, 47
 attention groups, 136
 attentive public, 136
 average collection period, 88-89
 average inventory investment period, 87

B

balance sheets, 82
 bargaining power of buyers, Five
 Forces Industry Analysis, 113-114
 bargaining power of suppliers, Five
 Forces Industry Analysis, 112-113
 barriers to entry and exit,
 competition, 116
 BCG (Boston Consulting Group), 23
 BCG matrix, 23-24
 case studies (Google), 39-40
 combining experience curves and
 product life cycles, 26-27
 cash cows, 27
 dogs, 28
 problem children, 28-29
 stars, 27
 experience curve, 24-25
 how to do it
 *step 1: divide the company into
 its SBUs or business product
 lines/segments*, 32-33
 *step 2: measure the growth rate of
 each SBU or SBL Market*, 33

*step 3: measure the relative
 market share (RMS) of each
 SBU or SBL*, 33
 *step 4: position each SBU or SBL
 along the matrix dimensions*,
 34-35
 *step 5: construct a matrix for all
 competitors*, 35-36
 *step 6: assign optimal generic
 strategies to each business unit
 or product line*, 36
 *step 7: further disaggregate the
 analysis*, 36
 *step 8: introduce analytical
 dynamics*, 37-38
 step 9: iteration, 38
 product life cycle, 25
 strengths, 29-30
 weaknesses, 30-32
 benefits of win/loss analysis, 249
 biases, 19-20
 hypothesis bias, 20
 The Big 3 WCs, 104-107
 BJ's Wholesale Club, 104-107
 brand preferences, declining, 162
 brands, life and death of, 197-198
 bubble syndrome, 162
 business management, 1
 buyers, bargaining power of, 113-114

C

CAGR, 105
 capabilities of competitor analysis,
 Chinese mobile phone markets, 61-62
 capability, competition, 115
 capital market returns, 95
 earnings per share, 95
 price/earnings, 95-97
 case studies
 competitor analysis, Chinese mobile
 phone markets, 59-62
 driving forces analysis (DFA), digital
 music market, 74-80
 Five Forces Industry Analysis
 global pharmaceutical industry,
 123-126
 U.S. passenger airline industry,
 120-123
 FRSA (financial ratio and statement
 analysis), The Big 3 WCs, 104-107

- Google, as viewed in BCG matrix, 39-40
- issue analysis
 - expanding hydroelectric facilities, 144-146*
 - Minnegasco's issues priority assessment process, 146*
- product life cycle (PLC) analysis, Apple (iPod to iPad), 163-164
- scenario analysis, forest products enterprises, 179-184
- STEEP (social, technological, economic, ecological, and political/legal), life and death of brands, 197-198
- SWOT (strengths, weaknesses, opportunities, and threats), Lockheed Martin Corporation, 213-220
- value chain analysis, Walmart Stores, Inc., 240-245
- win/loss analysis, email marketing solutions, 258-260
- cash cows, 27
 - Google, 40
- cashflow statements, 82
- catalysts, 6
- characteristics of product life cycle (PLC) analysis, 156
- Chinese mobile phone markets, case studies (competitor analysis), 59-62
- CI (competitive intelligence), 127
- COGS (cost of goods sold), 94
- collecting information, 118
- Colorado Springs Utilities, 145
- combining experience curves and product life cycles, 26-27
- commitment, 19
- communication channels, 6
- comparing ratios, 98
 - across time performance, 98
 - industrial comparisons, 98
- comparison grids, competitor analysis, 56
- competencies, 2
- competition, Five Forces Industry Analysis, 115-116
- competitive advantage, 2
- competitive analysis, 38
- competitive intelligence (CI), 127
- competitive price cuts, 159-160
- competitive terrain, 4**
- competitor analysis**
 - assumptions of Chinese mobile phone markets, 62
 - capabilities of Chinese mobile phone markets, 61-62
 - case studies, Chinese mobile phone markets, 59-62
 - current strategy of, Chinese mobile phone markets, 61
 - future goals, Chinese mobile phone markets, 60-61
 - how to do it, 48
 - step 1: determine who your competitors are, 49-50*
 - step 2: who may be competitors in the future, 49-50*
 - step 3: decide what information you need about these competitors, 50-54*
 - step 4: organize the gathered information into four categories, 54-56*
 - step 5: present your analytical insights to decision-makers in an appropriate format and in a timely manner, 56-58*
 - step 6: develop a strategy based on the analysis, 58*
 - step 7: continually monitor competitors, and scan for potential competitors, 58-59*
 - overview, 45-47
 - strengths, 47
 - value chain analysis, 227
 - weaknesses, 47-48
- competitors, 115**
 - assumptions of, 55
 - capabilities of, 54-55
 - current strategy of, 54
 - deciding what information you need about them, 50-54
 - defining, 49
 - determining who they are, 49-50
 - future goals of, 54
 - monitoring, 58-59
- complacency, 85**
- components of financial statements, 82-83**
- computer-generated econometric model, 169**

concentration
 bargaining power of buyers, 113
 bargaining power of suppliers, 113
 consistency, scenario analysis, 176
 consolidation and segmented analysis, 98-104
 consumer choice, digital music market, 77
 consumer research, 159
 content analysis, issue analysis, 131
 Corporate Information, 99
 cost and price structures,
 competition, 115
 cost of goods sold (COGS), 94
 Costco Wholesale, 104-107
 cross-impact analysis, scenario analysis, 170-172
 culture, internal cultural issues, win/loss analysis, 253-254
 current assets, 81
 current liabilities, 82
 current ratio, liquidity analysis ratios, 92
 current strategy, of competitor analysis
 Chinese mobile phone markets, 61
 customer value analysis, value chain analysis, 225-226
 cutoff points, 34

D

D&B - Dun's Financial Records Plus (DFR), 99
 data, sources of, 17
 data collection, 13
 data sources, 6
 debt to assets
 leverage ratios, 90-91
 solvency analysis ratios, 90-91
 debt to equity
 leverage ratios, 90
 solvency analysis ratios, 90
 decision scenarios, scenario analysis, 177
 decision types
 operational decisions, 4
 strategic decisions, 4
 tactical decisions, 4
 decision-making, benefits to good analysis, 5

decline, product life cycle (PLC)
 analysis, 150, 153-155
 declining brand preferences, 162
 declining prices, 162
 delphi method, scenario analysis, 170
 demand, estimating, 158-159
 DFA. *See* driving forces analysis (DFA)
 DFR (Dun's Financial Records Plus), 99
 DFs (driving forces), 63-64
 assessing impact of, 70-74
 identifying, 66-70
 matrices, 73
 ranking, 72
 differentiation, bargaining power of buyers, 113
 digital music market
 changes in who uses the product and how it is used, 78
 consumer choice, 77
 driving forces analysis (DFA), 74-80
 growth, 76
 Internet, satellite, and smartphones, 78
 product innovation, 76-77
 dissemination, win/loss analysis, 257-258
 distribution of profit pool,
 estimating, 238
 diversification, bargaining power of suppliers, 113
 diversification scenario, 171
 diversity, competition, 116
 dogs, BCG matrix, 28
 Google, 41
 driving forces analysis (DFA)
 case studies (digital music market), 74-80
 how to do it, 66
 step 1: identifying an industry's DFs, 66-70
 step 2: assessing the impact of DFs, 70-74
 overview, 63-64
 strengths, 64-65
 weaknesses, 65-66
 driving forces (DFs), 63

E

- earnings per share
 - capital market returns, 95
 - shareholder returns, 95
- efficiency ratios, 87
 - accounts receivable, 88
 - accounts receivable to sales, 89*
 - accounts receivable turnover, 89*
 - average collection period, 88-89*
 - asset turnovers, 89
 - inventory, 87
 - average inventory investment period, 87*
 - inventory to sales, 87-88*
 - inventory turnover analysis, 88*
- email marketing solutions, win/loss analysis, 258
 - competitive strengths, 260
 - easy fixes, 259-260
 - findings, 259
 - longer-term fixes, 260
 - win/loss process, 258
- Emerging Carbon Economy, scenario analysis, 182
- environmental analysis, 200
- environmental conditions, 191
- environments
 - levels of, 187
 - operating environments, 200
 - STEEP (social, technological, economic, ecological, and political/legal). *See* STEEP (social, technological, economic, ecological, and political/legal)
- equity, owners' equity, 82
- estimating
 - demand, 158-159
 - distribution of profit pool
 - total size of industry profit pool, 237
- evaluating
 - Five Forces Industry Analysis, 118-119
 - SWOT elements, 205-206
- experience curve, BCG matrix, 24-25
- experience curves, combining with product life cycles, 26-27

F

- Factiva Companies & Executives, 99
- factors, analyzing, SWOT (strengths, weaknesses, opportunities, and threats), 206-209
- financial ratio and statement analysis. *See* FRSA
- financial ratios, 97
- financial statement analysis, overview, 81
- financial statements
 - applying ratio analysis, 83
 - components of, 82-83
- Financial Times, 99
- firm infrastructure, Walmart Stores, Inc., 244
- first mover companies, 9
- Five Forces Industry Analysis
 - bargaining power of buyers, 113-114
 - bargaining power of suppliers, 112-113
 - case studies
 - global pharmaceutical industry, 123-126*
 - U.S. passenger airline industry, 120-123*
 - how to do it, 118
 - step 1: collect information, 118*
 - step 2: assess and evaluate, 118-119*
 - step 3: develop a strategy, 119-120*
 - overview, 109-111
 - rivalry among existing players, 115-116
 - strengths, 116-117
 - threat of new entrants, 111-112
 - threat of substitute products or services, 114-115
 - weaknesses, 117
- fixed assets, 81
- fixed charge coverage
 - leverage ratios, 91
 - solvency analysis ratios, 91
- forecasting
 - future direction of issues, 196
 - issues, 131-137
 - sales, 159
 - turning points, product life cycle (PLC) analysis, 161-163

forest product enterprises, 179-184
 four-stage life cycle progression of
 public policy issues, 132-134
 FRSA (financial ratio and statement
 analysis), 81-82
 case studies (The Big 3 WCs), 104-107
 consolidation and segmented analysis,
 98-104
 how to do it, 86-87
 strengths, 84
 weaknesses, 84-86
 future direction of issues,
 forecasting, 196
 future goals, competitor analysis
 (Chinese mobile phone markets),
 60-61

G

GE (General Electric), 23
 general public, 136
 generic approach to analysis, 17
 generic SWOT, 216
 global pharmaceutical industry, Five
 Forces Industry Analysis, 123-126
 globalization, need for effective
 analysis, 7
 Google, 42-43
 as viewed in BCG matrix, 39-40
 Google Finance, 99
 government, bargaining power of
 suppliers, 113
 gross profit margin, profitability ratios,
 94-95
 groupthink, 19
 growth
 digital music market, 76
 market strategies, 160
 product life cycle (PLC) analysis,
 149-152
 growth/share portfolio planning
 matrix, 23

H

Henderson, Bruce D., 23
 high market share, 31
 horizontal axis, plotting relative market
 share, 34
 human capital management, Walmart
 Stores, Inc., 244-245

hydroelectric facilities, issues of
 expanding, 144-146
 hypothesis bias, 20

I

identification groups, 136
 identifying
 DFs (driving forces), 66-70
 issues, 131-137
 prospects, win/loss analysis, 253
 research needs, scenario analysis, 177
 stakeholders, 175
 trends, scenario analysis, 176
 uncertainties, scenario analysis, 176
 value-creating activities, 230-233
 illusion of control, 20
 imitability, need for effective
 analysis, 8-9
 Importance Imminence Matrix
 (IIM), 209
 inbound and outbound logistics,
 Walmart Stores, Inc., 242
 income statements, 82
 industrial comparisons, 98
 industry analysis, 109-111
 industry norms, 85
 industry profit pools, mapping, 236-238
 industry scenario, 171
 information, collecting, 118
 integration, value chain analysis, 226
 interest coverage, leverage ratios, 91
 internal cost analysis, conducting, value
 chain analysis, 233-234
 internal cultural issues, win/loss
 analysis, 253-254
 internal differentiation value advantage
 analysis, value chain analysis, 235-236
 internal sales data, analyzing, 162
 Internet, digital music market, 78
 interrelationships, between trends, 195
 interviews, win/loss analysis, 255-256
 introduction strategies, product life
 cycle (PLC) analysis, 150-151
 intuitive method, scenario analysis,
 169-170
 inventory
 activity ratios, 87
 average inventory investment
 period, 87
 inventory to sales, 87-88
 inventory turnover analysis, 88

efficiency ratios, 87
 average inventory investment period, 87
 inventory to sales, 87-88
 inventory turnover analysis, 88
 increasing, 162
 inventory to sales, 87-88
 inventory turnover analysis, 88
 issue analysis, 127-129, 144
 case studies
 expanding hydroelectric facilities, 144-146
 Minnegasco's issues priority assessment process, 146
 four-stage life cycle progression of public policy issues, 132-134
 how to do it, 131
 step 1: identify and forecast the issue, 131-137
 step 2: analyze and assess the issue, 137-139
 step 3: select the issue's response patterns and types, 140-144
 issue expansion map approach, 136
 issue impact approach, 138
 issue timing approach, 136-137
 issues distance approach, 137
 seven-stage progression of public policy, 134-135
 strengths, 129-130
 weaknesses, 130
 issue expansion map approach, 136
 issue impact approach, 138
 issue timing approach, 136-137
 issues, 127
 analyzing and assessing, 137-139
 forecasting, 131-137
 identifying, 131-137
 political issues alternatives matrix, 141
 relating to trends, 195-196
 response patterns and types, 140-144
 issues distance approach, 137
 issues priority, leveraging, and scoring matrices, 138-139
 iteration, 38
 value chain analysis, 240

J

joint ventures, value chain analysis, 226

K

Key Business Ratios, 99
 knowledge, 8
 need for effective analysis, 8

L

learning function, 24
 learning scenarios, 176-177
 leverage ratios, 90
 debt to assets, 90-91
 debt to equity, 90
 fixed charge coverage, 91
 interest coverage, 91
 leveraging issues, 138-139
 LexisNexis, 99
 liabilities, 82
 liquidity analysis ratios, 91
 current ratio, 92
 quick ratio, 92
 working capital, 92-93
 listing SWOT elements, 205-206
 Lockheed Martin Corporation, SWOT (strengths, weaknesses, opportunities, and threats), 213-220
 long-term liabilities, 82
 low market share, 31

M

management decisions, 2-3
 mapping industry profit pools, 236-238
 market attractiveness, 27
 market growth, competition, 115
 market saturation, 163
 market share, 25
 high market share, 31
 low market share, 31
 plotting vertical axis, 34
 market strategies, growth, 160
 marketing and sales, Walmart Stores, Inc., 243
 matrices, DFs (driving forces), 73
 maturity, product life cycle (PLC) analysis, 149, 152-153
 media analysis, 162

mergers, value chain analysis, 226
 methods, 6
 methods for generating scenarios,
 scenario analysis, 168-169
 qualitative methods, 169-172
 quantitative method, 169
 Minnegasco's issues priority assessment
 process, 146
 monitoring competitors, 58-59
 Moody's Financial Metrics, 99

N

need for effective analysis, 7-9
 negative impacts on organizations, 195
 new entrants, threat of, 111-112
 Nillson, Dr. Sten, 179
 noncurrent assets, 82

O

OneSource, 99
 operating environments, 200
 operational decisions, 4
 operations, Walmart Stores, Inc.,
 242-243
 order backlogs, decreasing, 162
 organization, bargaining power of
 suppliers, 113
 organizational structure, value chain
 analysis, 226
 organizing
 information on competitors, 54-56
 output, 6-7
 outputs, 12
 outsourcing, strategic outsourcing
 (value chain analysis), 226
 owners' equity, 82

P

penetration strategies, 160
 PEST (political, economic, social, and
 technological), 187
 pharmaceutical industry, Five Forces
 Industry Analysis, 123-126
 plausibility, scenario analysis, 176
 players, rivalry among existing players,
 115-116

plot contribution bubbles, 34-35
 plotting
 horizontal axis, relative market
 share, 34
 vertical axis, market growth, 34
 political, economic, social, and
 technological. *See* PEST (political,
 economic, social, and
 technological), 187
 political issues alternatives matrix, 141
 political response, issue analysis, 143
 Porter, Michael, 45
 position statements, 82
 positive impacts on organizations, 195
 PP (public policy), 127
 issues, progression of, 133-134
 presenting competitor analysis to
 decision-makers, 56-58
 price cuts, risk associated with
 competitive price cuts, 159-160
 price ranges, determining, 159
 price/earnings
 capital market returns, 95-97
 shareholder returns, 95-97
 prices, declining prices, 162
 primary activities
 value chains, 224
 accessing, 232-234
 Walmart Stores, Inc., 243
 inbound and outbound
 logistics, 244
 marketing and sales, 245
 operations, 244-245
 services, 245
 priorities, issues, 138-139
 prioritized SWOT, 218
 private labels, 163
 problem children, 28-29
 Google, 40-41
 processes, 6
 procurement, Walmart Stores, Inc., 245
 product innovation, digital music
 market, 76-77
 product life cycle
 BCG matrix, 25
 combining with experience curves,
 26-27

product life cycle (PLC) analysis, 147
 case studies, Apple (iPod to iPad), 163-164
 characteristics of, 156
 decline, 150, 153-155
 growth, 149-152
 how to do it
 step 1: estimate potential demand, 158-159
 step 2: determine the price range, 159
 step 3: forecast sales for a range of possible prices, 159
 step 4: consider the risk associated with competitive price cuts, 159-160
 step 5: determine the fundamental market strategy for the growth stage, 160
 step 6: define the level of aggregation, 161
 step 7: forecast turning points, 161-163
 step 8: modify the strategy for each stage, 163
 step 9: remain watchful for a new PLC, 163
 introduction, 149-151
 maturity, 149, 152-153
 strengths, 154-157
 weaknesses, 157-158
 product standardization, increasing, 162
 product switching, competition, 116
 production processes, product life cycle (PLC) analysis, 163
 profitability, bargaining power of buyers, 114
 profitability ratios, 93
 gross profit margin, 94-95
 ROA (return on assets), 93
 ROE (return on equity), 93-94
 ROI (return on investment), 93-94
 prospects, win/loss analysis, 253
 public issue scenario, 171
 public policy (PP), 127

Q

quadrant 1, SWOT (strengths, weaknesses, opportunities, and threats), 211

quadrant 2, SWOT (strengths, weaknesses, opportunities, and threats), 211
 quadrant 3, SWOT (strengths, weaknesses, opportunities, and threats), 211
 quadrant 4, SWOT (strengths, weaknesses, opportunities, and threats), 211-212
 qualitative methods, scenario analysis
 cross-impact analysis, 170-172
 delphi method, 170
 intuitive method, 169-170
 quality, bargaining power of buyers, 114
 quantitative method, scenario analysis, 169
 quantitative models, scenario analysis, 177
 question marks, 28-29
 Google, 40-41
 questionnaires, developing, 254-255
 questions answered, analysis, 6
 quick ratio, liquidity analysis ratios, 92

R

radar charts, competitor analysis, 56-57
 ranking
 DFs (driving forces), 72
 strategic factors, SWOT (strengths, weaknesses, opportunities, and threats), 206-209
 rapid penetration, 151
 rapid skimming, product life cycle (PLC) analysis, 151
 ratio analysis, 81
 applying to financial statements, 83
 ratios, 15
 activity ratios. *See* activity ratios
 assessing appropriateness of, 83
 capital market returns, 95
 earnings per share, 95
 price/earnings, 95-97
 comparing, 98
 across time performance, 98
 industrial comparisons, 98
 efficiency ratios. *See* efficiency ratios
 financial ratios, 97
 leverage ratios. *See* leverage ratios, 90-91

- liquidity analysis ratios, 91
 - current ratio*, 92
 - quick ratio*, 92
 - working capital*, 92-93
 - profitability ratios, 93
 - gross profit margin*, 94-95
 - ROA (return on assets)*, 93
 - ROE (return on equity)*, 93-94
 - ROI (return on investment)*, 93-94
 - shareholder returns, 95
 - earnings per share*, 95
 - price/earnings*, 95-97
 - solvency analysis ratios. *See* solvency analysis ratios, 90-91
 - RBA (Rhodes-Blakeman Associates), 99
 - RBV (resource-based view), 207
 - relating trends to issues, 195-196
 - relative market share, plotting
 - horizontal axis, 34
 - Repeated Economic Meltdown, scenario analysis, 180-181
 - representativeness, 20
 - research needs, identifying scenario analysis, 177
 - resource-based view (RBV), 207
 - response patterns, issues, 140-144
 - Rhodes-Blakeman Associates (RBA), 99
 - rivalry among existing players, Five Forces Industry Analysis, 115-116
 - ROA (return on assets), profitability ratios, 93
 - Roberts, Don, 179
 - ROE (return on equity), profitability ratios, 93-94
 - ROI (return on investment), profitability ratios, 93-94
- S**
- sales, forecasting, 159
 - sales resistance, increasing, 162
 - Sam's Club, 104-107
 - satellite, digital music market, 78
 - SBL (strategic business line), 25
 - SBU (strategic business unit), 25
 - scale function, 24
 - scanning for potential competitors, 58-59
 - scenario analysis
 - case studies (forest products enterprises), 179-184
 - decision scenarios, 177
 - how to do it, 174-179
 - learning scenarios, 176-177
 - methods for generating scenarios, 168-169
 - qualitative methods*, 169-172
 - quantitative method*, 169
 - overview, 167
 - strengths, 172-173
 - weaknesses, 173-174
 - scenario development
 - issue analysis, 131
 - phases of, 174
 - scenario themes, 176
 - scoring matrices, issues, 138-139
 - S-C-P (structure-conduct-performance), 109
 - segmentation criteria, 32
 - segmented reporting, 103
 - selective issues, 138
 - sensitivity scenario, 171
 - services, Walmart Stores, Inc., 243
 - seven-stage progression of public policy, 134-135
 - SC&A (selling, general, and administrative expenses, 105
 - share momentum graphs, 37
 - shareholder returns, 95
 - earnings per share, 95
 - price/earnings, 95-97
 - simplification, 20
 - skimming strategies, 160
 - Skyminder, 99
 - Skyrocketing Energy Prices, scenario analysis, 181-182
 - slow penetration, 151
 - slow skimming, 151
 - smartphones, digital music market, 78
 - social, technological, economic, ecological, and political/legal. *See* STEEP
 - solvency analysis ratios, 90
 - debt to assets, 90-91
 - debt to equity, 90
 - fixed charge coverage, 91
 - interest coverage, 91
 - sources of data, 17

- specialization function, 24
- stakeholders
 - identifying, 175
 - issue analysis, 127
- Standard & Poor's Indices and Industry Surveys, 99
- stars, 27
 - Google, 41-40
- statement of changes in owners' equity, 83
- STEEP (social, technological, economic, ecological, and political/legal), 187
 - case studies, life and death of brands, 197-198
 - how to do it, 193
 - step 1: understand the segment of the environment being analyzed, 194-195*
 - step 2: understand interrelationships between trends, 195*
 - step 3: relate trends to issues, 195-196*
 - step 4: forecast the future direction of issues, 196*
 - step 5: derive implications, 196*
 - strengths, 191-192
 - variables, 189-190
 - weaknesses, 192-193
- STEEP scenario, 171
- strategic business line (SBL), 25
- strategic business unit (SBU), 25
- strategic cost management, value chain analysis, 226
- strategic decisions, 4
- strategic evaluation, 38
- strategic outsourcing, value chain analysis, 226
- strategies, developing based on competitor analysis, 58
- strengths
 - BCG matrix, 29-30
 - competitor analysis, 47
 - driving forces analysis (DFA), 64-65
 - Five Forces Industry Analysis, 116-117
 - FRSA (financial ratio and statement analysis), 84
 - issue analysis, 129-130
 - product life cycle (PLC) analysis, 154-157
 - scenario analysis, 172-173
 - STEEP (social, technological, economic, ecological, and political/legal), 191-192
 - SWOT (strengths, weaknesses, opportunities, and threats), 202
 - value chain analysis, 227-228
 - win/loss analysis, 248-250
- structure-conduct-performance (S-C-P), 109
- structured ranking, assessing DFs, 71-72
- substitute products and services, threat of, 114-115
- suppliers, bargaining power of suppliers, 112-113
- supply chain management, value chain analysis, 226
- support activities
 - value chains, 223
 - accessing, 232-233*
 - Walmart Stores, Inc.
 - firm infrastructure, 244*
 - human capital management, 244-245*
 - procurement, 245*
 - systems and technology, 245*
- support systems, 6
- survey techniques, issue analysis, 131
- sustainable growth rate analysis, 37-38
- switching costs, bargaining power of suppliers, 113
- SWOT (strengths, weaknesses, opportunities, and threats)
 - actionable SWOT, 218
 - case studies, Lockheed Martin Corporation, 213-220
 - generic SWOT, 216
 - how to do it, 204-205
 - step 1: list and evaluate SWOT elements, 205-206*
 - step 2: analyze and rank strategic factors, 206-209*
 - step 3: identify a strategic fit, and develop a strategy to improve matches, 210-213*
 - overview, 199-201
 - prioritized SWOT, 217

- quadrant 1, 211
 - quadrant 2, 211
 - quadrant 3, 211
 - quadrant 4, 211-212
 - strengths, 202
 - weaknesses, 202-204
 - SWOT elements
 - evaluating, 205-206
 - listing, 205-206
 - systems and technology, Walmart Stores, Inc., 245
- T**
- tactical decisions, 4
 - target segments, win/loss analysis, 253
 - technical issues, 138
 - Thomson Reuters, 99
 - threat of new entrants, Five Forces Industry Analysis, 111-112
 - threat of substitute products or services, Five Forces Industry Analysis, 114-115
 - three-factor prioritization of weaknesses, SWOT (strengths, weaknesses, opportunities, and threats), 208
 - times interest earned ratio, 91
 - timing, 6
 - total size of industry profit pool, estimating, 237
 - trends
 - identifying scenario analysis, 176
 - interrelationships between, 195
 - relating to issues, 195-196
 - turning points, forecasting (product life cycle (PLC) analysis), 161-163
- U**
- uncertainties, identifying scenario analysis, 176
 - universal issues, 138
 - U.S. passenger airline industry, 120-123
- V**
- value chain analysis
 - acquisitions, mergers, alliances, or joint ventures, 226
 - case studies, Walmart Stores, Inc., 240-245
 - competitor analysis, 225
 - customer value analysis, 225-226
 - how to do it, 229
 - step 1: define the company's strategic business units, 229-230*
 - step 3: conduct an internal cost analysis, 233-234*
 - step 4: conduct an internal differentiation value advantage analysis, 235-236*
 - step 5: map the industry profit pool, 236-238*
 - step 6: vertical linkage analysis, 238-240*
 - step 7: iteration, 240*
 - step 2: identify the company's critical value-creating activities, 230-233*
 - integration, 226
 - strategic cost management, 226
 - strategic outsourcing, 226
 - strengths, 227-228
 - supply chain management, 226
 - types of value chain links, 224-225
 - weaknesses, 228-229
 - value chain analysis (VCA), overview, 221-226
 - value chains, 222
 - primary activities, 222
 - accessing, 230-232*
 - support activities, 223
 - accessing, 232-233*
 - The Value Line Investment Survey, 99
 - value-creating activities, identifying, 230-233
 - variables, STEEP (social, technological, economic, ecological, and political/legal), 189-190
 - VCA. *See* value chain analysis, 221-226
 - vertical axis, plotting market growth, 34
 - vertical linkage analysis, 238-240
 - viable substitutes, 114-115
 - visual competitor strength grids, competitor analysis, 57-58
 - VRIO (valuable, rare, imitable, organizationally feasible), 207-208

W-X

- Walmart Stores, Inc., value chain analysis, 240-241
 - primary activities, 241-243
 - support activities, 244-245
- warehouse clubs, 104-107
- weaknesses
 - BCG matrix, 30-32
 - competitor analysis, 47-48
 - driving forces analysis (DFA), 65-66
 - FRSA (financial ratio and statement analysis), 84-86
 - issue analysis, 130
 - product life cycle (PLC) analysis, 157-158
 - scenario analysis, 173-174
 - STEEP (social, technological, economic, ecological, and political/legal), 192-193
 - SWOT (strengths, weaknesses, opportunities, and threats), 202-204
 - three-factor prioritization of weaknesses, SWOT (strengths, weaknesses, opportunities, and threats), 208
 - value chain analysis, 228-229
 - win/loss analysis, 250-252
- win/loss analysis
 - benefits of, 249
 - case studies, email marketing solutions, 258-260
 - how to do it, 252
 - step 1: determine the target segments and identify prospects, 253*
 - step 2: understand internal cultural issues, 253-254*
 - step 3: develop the questionnaire, 254-255*
 - step 4: prepare for the interviews, 255*
 - step 5: conduct the interviews, 256*
 - step 6: analysis and interpretation, 256-257*
 - step 7: dissemination, 257-258*
 - strengths, 248-250
 - weaknesses, 250-252

- win/loss analysis (WLA), overview, 247-248
- win/loss process, 258
- WLA. *See* win/loss analysis
- working capital, liquidity analysis ratios, 92-93
- The World Continues Its Course, scenario analysis, 180
- Worldscope Fundamentals, 99

Y-Z

- Yahoo! Finance, 99