

## Chapter 5

# Applying the FAROUT Method

# Ch5. Applying the FAROUT Method

## Benefits of Analysis

- Greater understanding of relationships and situations
- Initially focus the analyst on data and facts
- Guide efficient data collection efforts
- Encourages analysts to be rigorous
- Forces analysts to think critically
- Promotes a proactive attitude to analysis





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## Applying the Analysis Techniques

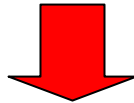
- There is a process to properly identify analysis techniques.
- Analysts should think through a series of questions before they make their choice:
  1. What is the full range of techniques that can be used to respond to the question asked?
  2. What is the focus and scope of the competitive phenomenon being analyzed?
  3. What are the constraints: personal, informational, organizational, resources and contextual, which might affect the analysis process?



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## *The Evaluation Scheme*

- *Future-oriented*
  - *Accurate*
- *Resource efficient*
  - *Objective*
  - *Useful and*
  - *Timely*



# FAROUT



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## *Using FAROUT*

- *Future Orientation:*
  - 1 = the model's output provides a low level of future orientation. It may be too anchored in the past or present
  - 5 = the model is highly future focused
- *Accuracy:*
  - 1 = the level of accuracy for this model is low taking into account the probable sources of data underlying its application
  - 5 = accuracy has been greatly increased based on the requirements of the model
- *Resource-efficiency:*
  - 1 = this model requires a large volume of data, financial, human resources and is low in efficacy
  - 5 = this technique is highly efficient in its use of resources and in deriving desired outputs from few inputs



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## *Using FAROUT cont.*

- *Objectivity:*
  - 1 = a particular tool was not highly objective due to the presence of biases and mind-sets
  - 5 = that the potential for biases can be minimized
- *Usefulness:*
  - 1 = delivers a lower level of valued output
  - 5 = a high level of valued output
- *Timeliness*
  - 1 = analysis model that requires a great deal of time to complete well
  - 5 = this model takes little time to successfully complete



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Chapter	Method	Future-oriented	Accurate	Resource Efficient	Objective	Useful	Timely
6	Industry Analysis: The 9 Forces	4	3	4	2	3	3
7	Competitive Positioning	4	4	4	4	5	3
8	Business Model	3	3	4	3	4	3
9	SERVO	4	2	3	1	4	2
10	Supply Chain Management	4	3	3	4	5	3



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Chapter	Method	Future-oriented	Accurate	Resource Efficient	Objective	Useful	Timely
11	Bench-marking	3	3	2	3	5	2
12	McKinsey 7S	4	2	3	1	3	2
13	Shadowing	4	3	2	3	5	4
14	Product Line	3	3	3	4	3	2
15	Win/Loss	4	3	4	4	5	2





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Chapter	Method	Future-oriented	Accurate	Resource Efficient	Objective	Useful	Timely
16	Strategic Relationship	2	4	2	4	3	3
17	Corporate Reputation	2	4	1	4	3	2
18	Critical Success Factors	3	4	3	2	5	3
19	Country Risk	3	2	3	3	3	3
20	Driving Forces	5	3	3	2	4	3



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Chapter	Method	Future-oriented	Accurate	Resource Efficient	Objective	Useful	Timely
21	Event & Timeline	4	4	4	4	3	3
22	Technology Forecasting	5	2	3	2	4	2
23	War Gaming	5	3	3	3	5	1
24	Indications & Warnings	5	3	3	2	4	3
25	Historiographical	2	2	3	1	4	3



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Chapter	Method	Future-oriented	Accurate	Resource Efficient	Objective	Useful	Timely
26	Interpreting Statistics	1	4	3	3	3	2
27	Competitor Cash Flow	4	4	1	3	5	2
28	Analysis of Competing Hypotheses	1	3	2	5	3	2
29	Linchpin	3	2	3	4	5	2

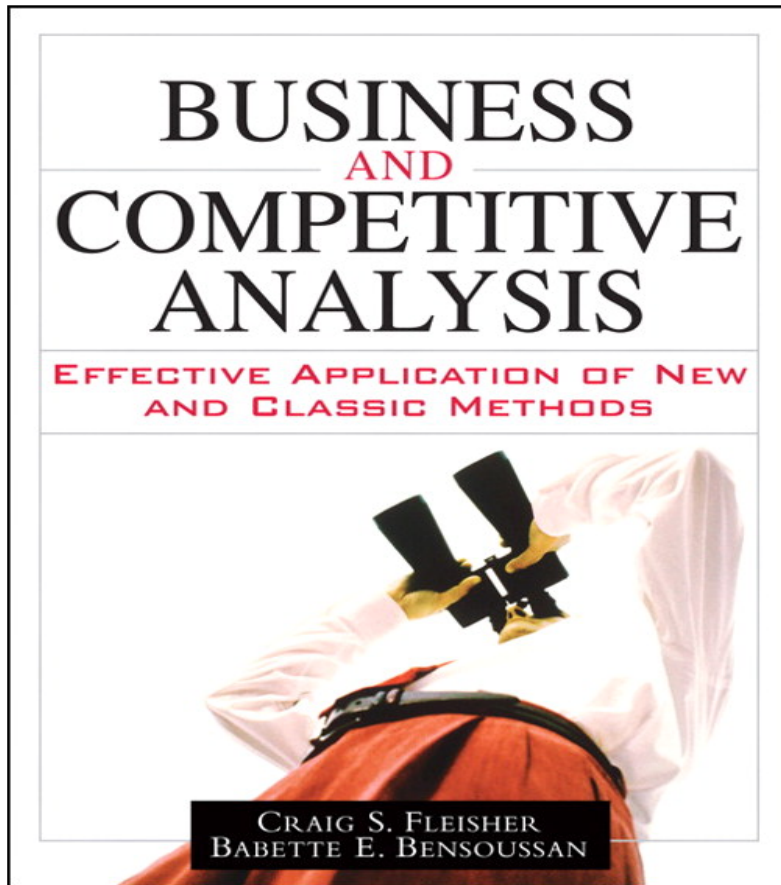


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## Summary

- There are no universal tools, 'one size fits all' or 'magic bullet' techniques
- Every technique or tool is unique and has advantages and disadvantages
- Analysts must consider the utility of the techniques very early in the analysis cycle
- Techniques should match as closely as possible to the requirements of the assignment
- FAROUT helps the analyst consider the fit between the techniques and their assignments.

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For More About **Business & Competitive Analysis**, and 24 Useful Analysis Methods, see:  
Fleisher, Craig S. and Babette E. Bensoussan

*Business and Competitive Analysis: Effective Application of New and Classic Methods*

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