MAN 6721

STRATEGIC MANAGEMENT AND POLICY FORMULATION

CASE ANALYSIS GUIDE

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CASE ANALYSIS GUIDE

INTRODUCTION

INTRODUCTION TO CASE METHOD ANALYSIS

This course uses two primary tools to assist in your learning the principles of strategic management: a computer simulation and analysis of business cases. This Case Analysis Guide is intended to provide you with a structured approach to assessing any business situation, and generating effective strategies. It is your primary guide to the analysis of cases in the course, and its contents are equally applicable to playing the Business Strategy Game and any future business situations you encounter.

Case method analysis allows you to apply the strategic process to real life situations. Effective case analysis requires developing integrative and problem solving skills. Cases are not intended to provide you with specific solutions for specific situations you will encounter in the business world. They are intended to provide you with a general problem solving ability through the opportunity to practice systematic analysis, development of suitable alternative actions, and planning the implementation of those actions.

There is no one ‘correct’ solution for these cases. Depending on your assumptions and analysis, different alternatives may be equally appropriate. Just as in the business world, your perceptions, experiences and personality characteristics will influence the courses of action you select.

THE ANALYTICAL PROCESS

The case analysis outline in this handout and the Strategic Decision-Making Process handout illustrating an eight step process, might seem to imply that strategic planning is a linear process, starting with an external environment analysis, proceeding sequentially to an internal analysis, then strategy reformulation. Strategic management and planning, however, are not linear. Strategic management is an iterative process where each step affects all other steps, and subsequent steps may require reaccomplishing earlier tasks, often multiple times. However, it is useful for both learning and future reference purposes to present the process in discrete sections.

Typically, the analytical flow will be as depicted in the class handout The Strategic Decision Making Process. The presentation sequence will be as indicated in the Case Analysis Guide.

The analytical process begins as indicated in steps 1a and 1b of the class handout The Strategic Decision Making Process, with a quick financial analysis of a firm’s situation, and an assessment of the firm’s current mission and objectives. The availability of resources and competitive strength of a firm are all useful in establishing direction as well as boundaries for the full case analysis. Further discussion of this is found in Section IIA, and in the Financial Analysis Guide.
Step 2 reviews the personalities and proclivities of top managers, whether they are risk averse, growth oriented, marketers or financial people, etc. As you assess the environments of a firm and develop recommendations, you should take into consideration the likely response of management to your suggestions. If you anticipate resistance, this should be reflected in your final recommendations.

Step 3 is an analysis of the external environment and is covered in Section I.
Step 4 is an analysis of the internal environment and is covered in Section II.

Steps 5-8 of the Strategic Decision making Process are covered in Sections II-V.

**USING THIS CASE ANALYSIS GUIDE**

This *Case Analysis Guide* reflects the expected sequence for Lead Teams to use each week in summarizing their analysis and recommendations. Consistent use of this sequence will allow class members to more easily follow the Lead Team’s presentation and match their findings with the Lead Team’s. Note that the Lead Team should only present analysis and recommendations -- they should NOT summarize the case (even briefly) as we have all read it.

This is also the sequence that should be followed in the written case analysis, except that for your paper, it should begin with a brief discussion of your firm’s background and industry. In class we have all read the case and no background is necessary. For the paper, assume the reader is only vaguely familiar with your firm and provide a brief discussion of its recent history and actions.
I. ASSESSING THE EXTERNAL ENVIRONMENT: INDUSTRY AND COMPETITIVE ANALYSIS

This first section assesses the nature and intensity of competition within the industry. It should be done from an industry perspective, not from a company perspective. The actual firm you are analyzing determines the industry, but this firm’s characteristics and attributes should not be substituted for industry characteristics, forces, etc.

For example:
- describe driving forces that affect the entire industry, not just one firm.
- key success factors in this section are those that are generally required of all participants in the industry. Later, in the individual situation analysis section, additional factors that are specific to the company being evaluated may be added.

A. REMOTE ENVIRONMENT

The remote environment consists of factors beyond the immediate environment of the firm - factors which affect the firm but which the firm cannot realistically expect to significantly influence.

Consider the firm’s industry in collecting data. Do not include factors which are not relevant to the industry being analyzed. For example, more women in the work place and rising incomes will significantly affect the fast food industry, but not the railway locomotive industry.

1. Economic factors - Inflation, interest rates, import/export imbalances, tax legislation, depression/recession/boom cycles should be mentioned when and if they significantly affect the industry. For international firms, this may require assessing two or more economies.

2. Social factors - What are the demographics of the general environment and how are they changing. Consider beliefs, values, attitudes, opinions and lifestyles as they are affected by changing cultural, ecological, demographic, religious, educational and ethnic trends.

3. Political factors - What political, regulatory, and governmental forces are at work that may affect the industry?

   For example - Internet service providers may operate in many countries with differing laws on pornography. Due to German laws, America OnLine has removed many gay interest groups from its rolls, which affects its operations worldwide.

4. Technological factors - What is the rate of technological change. All industries experience change in today’s environment, but is this industry especially subject to rapid change? How effective is the dissemination of knowledge about new products? Can proprietary information be retained or do innovations spread rapidly?

5. Ecological factors - To what extent are the actions and alternatives of firms in the industry constrained by ecological factors - both actual and possible? Always identify relevant trends as well as current practices.
B. INDUSTRY ENVIRONMENT

1. DEFINE THE INDUSTRY

What are the boundaries? Who are the firm's competitors? Indicate the boundaries of the industry – does it have geographic boundaries? (local, regional, national, global). Economic or other demographic boundaries?

Note: defining the industry you are analyzing is not always straightforward. An analyst doing a case analysis on Walt Disney Corp could pick entertainment, but a better choice would be identifying the multiple industries Disney competes in such as theme parks, movies, and retail stores. The basis for selecting/defining an industry is: what will provide the most relevant and meaningful data to support the case analysis and identify critical issues and useful solutions.

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For example:
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- key success factors in this section are those that are generally required of all participants in the industry. Later, in the individual situation analysis section, additional factors that are specific to the company being evaluated may be added.

2. DOMINANT ECONOMIC CHARACTERISTICS OF THE INDUSTRY

DECs are characteristics of a specific industry. They shape the nature of competition within that industry. Concisely summarize as much of the following as you have information for in the case:

a. Size. The larger the industry the easier it is to gain a sufficient market share to generate profitability and the less likely it is a new competitor would disrupt the competitive arena.

b. Cite the market growth rate (past, present, projected).

c. Stage in industry life cycle. Most industries are growing, but this does not mean they belong in the growth stage.
   i. Entry Stage - Characterize by negative cash flows and profits, buyer unfamiliarity with product or service concept and value, sales focus on early adopters or even bleeding edge consumers.
   ii. Growth stage - Although sales levels increase, this stage is better characterized by entry of new competitors, attempts to establish dominant technologies, continued negative cash flows, and continued buyer unfamiliarity.
   iii. Mature Stage - Total industry revenues may be increasing flat or in a slight decline, but the primary characteristics are buyer familiarity with
iv. Decline Stage - Basic product demand is declining as new and different products and/or substitutes replace consumer demand. Industry sees consolidation of remaining firms. Long term industry revenues predicted to consistently decline.

b. Describe the industry's structure.
   i. Concentration. Is the industry fragmented (many small firms) or concentrated (a few large firms)
   ii. Economies of Scale. Are economies of scale important? Are there experience curve effects?
   iii. Basis for competition. Are products perceived as differentiated or is the basis for competition low cost?
   iv. Vertical integration - Is vertical integration prevalent and/or necessary for success in industry?
   v. Number of Buyers. More buyers generally leads to less power for buyers.

c. Scope of Rivalry - Is competition primarily local, regional, national, international or global?

d. Indicate industry type:
   * hi-tech, basic, or farming, etc
   * manufacturing or service industry

e. Identify the industry's major customer groups and end-users. Remember - the customers of an industry are often not the end users.

f. Capacity utilization. Is a high level of capacity utilization important? Do firms have to operate at almost full capacity to be profitable? Such a case can lead to price wars when demand drops or overcapacity exists.

g. Pace of technological innovation - Is the pace of change so significant that technological obsolescence is a constant threat?

h. Industry profitability - Is the industry profitable?

3. PORTER’S COMPETITIVE FORCES ANALYSIS

   a. Rivalry intensity among competing sellers (is rivalry a strong, moderate, or weak force - what are weapons of competition)

   i. Decide how vigorously rivals are "battling it out." Is competition very intense, moderately strong, or fairly weak?

   Remember that rivalry among competing firms usually is stronger/ more intense when:
      a) firms are more equal in size and financial strength.
      b) one or more rivals is on the offensive.
c) new players have entered the market.
d) market demand is growing slowly (or declining).
e) industry conditions make it tempting to engage in price cutting - undifferentiated products, high fixed costs, overcapacity
f) rival brands are identical or weakly differentiated.
g) the market is globalizing.
h) when fighting it out is less costly than exiting the market.
i) a successful move carries a big payoff.
j) rivals have diverse strategies, national origins, etc.

ii. Identify the primary weapons of competitive rivalry.

Possible weapons include - price, service, advertising, quality, rebates, distribution incentives.

b. Threat of potential entry (is entry threat a strong, moderate, or weak force. Include assessment of entry barriers)

i. Determine whether entry barriers are high or low. The primary entry barriers are:

   a) sizable economies of scale
   b) strong learning/experience curve effects
   c) strong brand preferences and customer loyalty
   d) high capital requirements for a new entrant
   e) other cost disadvantages for a new entrant
   f) the difficulty of gaining good distribution access
   g) government regulations and restrictions

ii. If you can, name the firms which are most likely to enter. Assess whether incumbent firms would react strongly to new entry.

Remember, the higher entry barriers are, the weaker is the threat of entry. Potential entrants are likely to be dissuaded by the prospects of "bloody" profitless battle with strong, well-entrenched incumbents which cannot be easily beaten.

c. Threat of competition from substitutes (are substitutes a strong, moderate, or weak force? Why?)

i. Are good substitutes for the industry’s product available?

ii. Are the substitutes more/less attractive as concerns price?

iii. How high/low are the switching costs that customers must incur to use the substitutes?

   As a rule, the lower the relative price of substitutes, the higher their quality and performance, and the lower the user’s switching costs, the more intense are the competitive forces from substitute products.
d. *Power of suppliers* (Are suppliers a strong, moderate, or weak force? Why?)

Suppliers have more bargaining power and leverage when:

i. the input they supply is very important.
ii. it is costly or hard for buyers to switch from one supplier to another.
iii. suppliers do not have to contend with the substitute inputs of supplier firms in other industries.
iv. suppliers can readily integrate forward into the industry of their customers.
v. buying firms pose little threat to integrate backward into the supplier’s industry.
vi. buying firms are NOT big customers of the suppliers.

e. *Power of customers* (Are customers a strong, moderate, or weak force? Why?)

The bargaining power and leverage of customers is relatively strong when:

i. customers are large and few in number.
ii. customers buy in large quantities.
iii. customers incur low costs in switching their purchases to rival firms.
iv. buyers are big relative to the sellers.
v. customers can integrate backward.
vi. sellers pose little threat of forward integration.

\[\text{vii. when the item being bought is not crucial to the customer.}\]
\[\text{viii. feasible for customers to purchase from several firms rather than just one.}\]
ix. the product/service being purchased does not save the customer money or else has low value to the customer.

Note: The original Porter Model for analyzing an industry’s competitive nature has only five forces. The Power of Other Stakeholders is a common addition to the Porter Five Force model and is included in this outline because it adds a useful dimension to assessing an industry.

f. *Power of other stakeholders* - The intention here is to identify stakeholders that have unusual power within an industry - stakeholders that firms *must* be responsive to. Unions have much more influence in some industries (auto) than others (advertising). Conservationists are increasingly influential in many industries (logging, paper, chemical) but not all. Some industries may not have any really significant stakeholders.

i. Do employees represent a key resource that is difficult to replace? Are they unionized?

ii. Is your firm critical to the local economy or are you being pressured to change policies?

iii. Are you now or are you potentially liable for regulation by government? Do economic policies affect your success? Can you influence government policy?
iv. Are creditors (other than suppliers) able to wield financial leverage?

v. Is the firm a target of powerful special interest groups, such as Greenpeace, Sierra Club, SPCA, NOW, ACLU, Etc?

4. DRIVING FORCES

Driving forces change the nature of competition within an industry. The objective here is to identify those factors which will fundamentally change the way firms compete within an industry. Note that growth rates, if constant, are not driving forces, even if the industry is in decline.

Driving forces will directly influence the number and nature of alternative strategies available to a firm. Identify the 3 to 5 key forces driving the industry in a particular direction and shaping its future; Briefly indicate the significance / impact of key driving forces (one may be far more important than others).

Typical driving forces include:
  * changes in industry growth rate
  * changes in who buys the product and how they use it
  * product innovations
  * process innovations
  * marketing innovations
  * entry/exit of major firms
  * control/diffusion of proprietary know-how
  * changes in cost and efficiency
  * movement from standard to differentiated products (or vice versa)
  * increasing regulatory/political/governmental/societal influences
5. COMPETITIVE ANALYSIS

Competitive analysis seeks to:
(1) identify current and potential competitors,
(2) identify potential moves by competitors

a. Competitor Identification - Competitive position of major companies / strategic groups

Which are the favorably positioned companies in the industry? WHY?
Which are the unfavorably positioned companies in the industry? WHY?

i. In this section, develop conclusions about which companies/strategic groups are in good position to be successful and which companies/strategic groups are under increasing competitive pressure and are likely to experience lower profits. Give reasons for your conclusions. Remember, changing industry conditions usually favor some companies and hurt others.

ii. You may draw a strategic group map to supplement this part of your industry and competitive situation analysis if you find it helpful.

b. Predicting the future competitive moves of rival firms entails:

i. knowing whether a rival is under pressure to improve its performance -- a clue that strategy changes may be forthcoming.
ii. monitoring what rival managers are saying about the industry.
iii. studying the backgrounds and philosophies of rival managers for clues as to the actions they may take.
iv. tracking rivals’ priorities and performance objectives.
v. deciding what the next logical moves are for the various rivals.

Companies that are adversely affected by the industry’s driving forces and by competitive conditions are good candidates for making fresh strategic moves or for merger/acquisition. Strongly positioned companies may be inclined to launch offensives aimed at weaker competitors.

6. IDENTIFY INDUSTRY KEY SUCCESS FACTORS

These are key success factors common to success for any firm in this industry. They are product or service attributes, firm competencies & competitive capabilities and market capabilities necessary to successfully compete

7. SPECIAL INDUSTRY ISSUES/PROBLEMS

a. Based on your study of the industry, make a list of 3-6 problems/issues which confront THE INDUSTRY AS A WHOLE (problems/issues for a specific FIRM come later).
b. Decide how hard it will be for the industry to deal with these problems/issues. Point out whether some firms will find it harder/easier to deal with these problems/issues than others.

c. Think about how these problems/issues impact the industry's future profit prospects.

8. INDUSTRY PROSPECTS AND OVERALL ATTRACTIVENESS
   * Factors making the industry attractive
   * Factors making the industry unattractive

   a. Drawing upon the prior steps you have competed, list those factors that make the industry attractive (differentiating where appropriate between those with a short-term impact and those with a long-term impact).

   b. Now list those factors that make the industry unattractive (again indicating short-term versus long-term impacts when appropriate).

   c. Decide which way and how far the scales tilt on "attractiveness" versus "unattractiveness."
      • DO NOT decide on the basis of which list is the longer; each factor on the two lists is not equally important.
      • Remember too that an industry can be unattractive to some firms (those outside an industry with high entry barriers or those in weak positions in the industry) yet still be attractive to a well-entrenched firm already in the industry.

   The objective is to arrive at some overall conclusion about whether this is an attractive industry to compete in for no firms, some firms, or any firm.
II. ASSESSING THE INTERNAL ENVIRONMENT:
COMPANY SITUATION ANALYSIS:

A. IDENTIFY CURRENT MISSION, OBJECTIVES, STRATEGIES, POLICIES

You should start your analysis of the firm by determining what it believes it is trying to do. This provides a benchmark for assessing some aspects of its performance as to whether it is successful or not.

B. REVIEW MANAGEMENT PREFERENCES

If you plan to have any recommendations accepted, in the real world a consultant must take into account the biases and preferences of the management and board of directors. Thus, later when making recommendations for changes, you should identify any possible conflict or resistance with current management.

C. COMPETITIVE POSITION ANALYSIS

Your competitive position analysis should thoroughly assess the relevant factors affecting a firm’s position. Historical data over at least a five year period should be considered - not just the current year.

1. Financial Analysis - Using financial data provided in the case, calculate and evaluate the high performance financial ratios as discussed in the Financial Analysis Guide and any other ratios you feel are appropriate to assessing the firm’s financial condition.

   Such ratios include, but are not limited to:

   PROFIT RATIOS: gross, net, marginal; roe, roa, eps
   GROWTH RATIOS: Annual and compound annual rates for sales, profit, etc
   LIQUIDITY RATIOS: current, quick, cash
   LEVERAGE RATIOS: Debt/equity, assets/equity
   ACTIVITY RATIOS: turnover: inventories, assets,
   MARKET SHARE: Growing, shrinking, stable, dominant, small

   2. Strategic Performance Indicators - Examine the information in the case pertaining to how well the company is doing and how well its present strategy is working.

   EXAMPLES OF SIGNS of SUCCESS
   • A rising market share
   • Improving profit margins
   • Increasing profits
   • High/rising return on equity investment
   • Sales growing faster than market average
EXAMPLES OF SIGNS of FAILURE
• A falling market share
• Shrinking profit margins
• Declining profits
• Low/falling return on equity investment
• Sales growing slower than market average

3. Overall Evaluation - Interpret your calculations and the data to provide an assessment of how well the firm is doing. Decide what data in the case best indicates how well the company has been doing. Remember, numbers and ratios can only be evaluated based on comparison with * trends in the data or ratios over time
* industry averages or firm goals
* normative standards

The critical objective is to arrive at some overall conclusion as to how the firm has been doing and how it is likely to perform if it continues with its present strategy.

D. SWOT ANALYSIS:

SWOT analysis is a quick, easy-to-use tool for sizing up a firm’s overall situation. The objective is to identify strategy-related strengths, weaknesses, opportunities, and threats. Typically your environmental analysis will provide more data than is necessary. The SWOT analysis winnows out the relevant data in a meaningful format. It summarizes the major points from your overall analysis.

1. Strengths (internal) - A strength is internal to the firm and is something the firm is good at, a unique skill, or a competitive asset.

   POTENTIAL INTERNAL STRENGTHS
   • A competitive advantage
   • Strong financial condition
   • Cost advantages
   • A good image/reputation
   • Proven management
   • Product innovation abilities

2. Weaknesses (internal) - A weakness is something a firm lacks or does poorly, an aspect of its position that puts it at a disadvantage and can be exploited by competing firms.

   POTENTIAL INTERNAL WEAKNESSES
   • Behind in R&D/technology
   • A low quality product
   • Labor problems
   • Weak marketing skills
   • High cost relative to competitors

3. Opportunities (external) - Opportunities are features of the external environment that the firm can exploit for competitive advantage or growth.
POTENTIAL OPPORTUNITIES
• Enter new markets or segments
• Add products to the line
• Integrate forward/backward
• Exit of rivals from the market
• Rapid growth in demand
• Diversify

4. Threats (external) - Threats are features in the external environment that pose a danger to the firm.

POTENTIAL THREATS
• Slower market growth
• Stronger competitive pressure
• Adverse govt policies & regulations
• Adverse technological changes
• Adverse demographic changes
• Entry of new competitors

Whether a feature is an opportunity depends on a firm’s unique position - the same feature may be an opportunity for one firm, a threat to another, and irrelevant to a third.

Before you move on, draw some conclusions about what you have learned from the SWOT compilations and summarize how they will affect the firm’s strategy choices. Is the firm’s overall situation strong? Weak? Improving? Deteriorating?

E. PORTFOLIO ANALYSIS

For diversified companies, complete a portfolio analysis using appropriate matrices. Possible choices include the BCG, GE, and Life Cycle. Use a matrix that helps analyze the total firm’s current portfolio, and provides help in assessing how the individual SBUs fit together and relate to each other.

The analysis should provide guidance on cash flows, investment decisions, and strategic priorities.

F. COMPETITIVE STRENGTH ASSESSMENT

This analysis differs from the competitive analysis in the industry portion in that it focuses on the relevant competitors to the firm being analyzed.

1. Competitive Strength Assessment Chart - KSF’s

Instructions: Develop a list of key success factors for this firm. Then select the most important key success factors, and assign each one a relative weight, depending on its importance. The sum of the weights must be 1.0. Then grade the firm and each of its competitors on a scale of 1 to 10 on each of the success factors, and multiply that grade by the factor weight. Sum the individual strength weightings, and compare to see which firm has the greatest competitive strength.

To develop KSFs, pick out the factors that have the most impact on a firm’s ability to achieve healthy profits and industry success. Possible KSFs are:
* manufacturing efficiency/low production costs
* making successful product innovations
* excellence in customer service
* a high quality product/service
* strong R&D skills
* hiring people with superior technical skills
* a well-known reputation/image
* access to low-cost raw material supplies
* financial strength/access to capital
* a strong distribution/dealer network
* strong marketing/merchandising skills.

Select the firms that you feel are direct competitors for firm being analyzed. In the auto industry, Hyundai would have different competitors than Rolls Royce or Cadillac.

**Competitive Strength Assessment**

<table>
<thead>
<tr>
<th>Key Success Factor</th>
<th>Weight</th>
<th>Co A</th>
<th>Co B</th>
<th>Co C</th>
<th>Co D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality/Reputation/image</td>
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<td>Product Performance</td>
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<td>Raw material access/cost</td>
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<td>Manufacturing capability</td>
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<td>Marketing/distribution</td>
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<td>Relative cost position</td>
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<td>etc.</td>
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<tr>
<td>Overall Strength Rating</td>
<td>1.0</td>
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2. Conclusions concerning competitive position (Improving/slipping?)

This section builds upon the previous step where you developed strength ratings for the company and selected key rivals. The intent is to use your competitive strength assessment to identify which firms are the strongest and which the weakest, and identify why those firms are strong and weak.

a. Review the competitive strength ratings.

b. Develop conclusions concerning the firm’s present market position.

In particular, decide:

i) whether the company’s position is improving or slipping and WHY.

ii) what the company’s competitive strengths and weaknesses are.
iii) whether the company has a net competitive advantage (or is, instead, at a competitive disadvantage overall).

iv) how strong the competitive advantage is (or bad the competitive disadvantage is and how hard it will be to overcome the disadvantage).

v) how able the company is to defend/improve its position in light of driving forces, competition, and the strength of rivals.
III. STRATEGIC ISSUES / ALTERNATIVES

This step provides the fundamental basis for redirecting the firm through development of new strategies.

A. DEVELOP A LIST OF KEY ISSUES THAT THE FIRM MUST ADDRESS.

The purpose is to identify those issues which the firm must address to remain competitive. The listing should NOT be just a repeat of the INDUSTRY’S strategic problems/issues. You may want to DELETE those industry problems/issues which are less important to this company, and you should definitely ADD those COMPANY-SPECIFIC problems/issues which arise from the company’s own particular circumstances.

B. DEVELOP POSSIBLE ALTERNATIVE COURSES OF ACTION.

Here you identify courses of action that address the issues you have identified. There may be a number of different approaches to solving the firm’s problems, but the alternatives must make sense for the firm being analyzed - the alternatives should logically derive from your analysis. Aggressive growth would not make sense for a firm facing imminent bankruptcy. Retrenchment would not make sense for a healthy firm in a fast growing industry.

Alternatives should be specific enough to give the reader a clear sense of what the firm should do. Do not suggest vague alternatives such as ‘diversify’ - that is an opportunity, not an alternative. A more appropriate alternative would be ‘diversify into ***** industry (specify the industry) through acquisition of small firms.’ (if possible, suggest firms to acquire).

Sufficient alternatives should be generated to ensure you are providing the firm with a reasonable set of possible courses of action. Do not limit the firm through inadequate choices.

Each alternative should have a brief summary of the pros and cons for adoption. Some alternatives may be mutually exclusive. A firm could face the choice of diversifying or focusing on its core business.
IV. STRATEGY RECOMMENDATIONS/ACTION PLAN:

In the following steps, you will describe what you believe the firm should do to meet the challenges and opportunities you have identified. It is **fundamentally important** that you realize that the following steps are the *reason* for all of the preceding analysis. Developing effective action strategies and plans requires a good analysis - but the most thorough analysis in history is worthless if it does not result in good plans. Do not allow yourself to fall into the trap of a good analysis and a weak plan.

A. KEY ASSUMPTIONS - List whatever assumed conditions really govern your strategic plan and action recommendations.

It is useful in strategic planning to specify the key assumptions on which proposed action plans are based. Neither the future industry situation nor the future competitive situation can be foreseen with perfect accuracy. Several different scenarios may be visualized as concerns demand growth, entry/exit of firms, the pace of technological change, the actions of key competitors, and so on.

The role of key assumptions is to indicate clearly which of several possible sets of industry and competitive conditions are being dealt with by the recommended actions.

B. BASIC STRATEGIC DIRECTION

1. Define the firm’s new vision/strategic mission.
   - Clear direction setting always entails defining the business and strategic mission, setting strategic performance objectives, and formulating a strategy to achieve the target objectives.
   - Try here to write a clear, concise strategic mission statement for the business that indicates where the business should be headed, what customer groups and customer needs it should serve, and how it should define its business. One or two sentences should be plenty.

2. Recommend a set of key strategic objectives and performance targets for the business. Make sure they meet the test of being challenging but achievable. Most of the targets should be quantitative and all should contain deadlines for achievement. Normally, 3 to 5 strategic objectives/performance targets are plenty.

C. BUSINESS STRATEGY

Strategies support objectives. This section begins the task of recommending HOW the firm should try to achieve the target strategic objectives described previously. If the firm is a single line of business, it will have one overall business strategy. If it is diversified, it may have multiple business strategies.
Type a concise statement that indicates what the overall thrust of the company’s business-level strategy should be (for each division, if diversified).

1. Should the company use a low-cost, differentiation strategy? Should it also add a focus component to its competitive strategy?

2. Should the posture be one of aggressive grow-and-build, a conservative fortify-and-defend approach, or harvest/divest.

3. What major offensive moves should be initiated (what kind?) and what kind of defensive actions to take.

4. Recommend what specific kind of competitive advantage the company should strive for and what specific things to do to create this advantage.

5. Recommend how the company should correct its competitive weaknesses and capitalize on its competitive strengths.

REMEMBER that business-level strategy needs to address:
   a) how to respond to changing industry and competitive conditions (driving forces, rivals’ actions, threats, opportunities, etc.).
   b) how to compete and how to achieve a stronger market position.
   c) resource allocation priorities within the business.

D. RECOMMEND SPECIFIC COURSES OF ACTION

Using your list of possible alternative courses of action, select the ones you feel are most appropriate, and describe in detail the specific actions the firm should take to address its problems and/or take advantage of its opportunities. The level of specificity should be such that if your recommendation was given to a senior manager, the manager would have sufficient information and understanding to proceed without further direction.

E. IMPLEMENTATION

Describe how the firm will execute the strategies/plans you have developed.

Use the implementation model in Appendix 1 to identify specific changes the firm will have to make to organization, budgets, culture, rewards, etc., to accomplish its plans. Remember (this is crucial) - you are the consultants the firm has hired. Dodging critical issues by recommending hiring consultants, or having someone create a survey, or doing market research etc. etc. is unacceptable. If your data collection and analysis for Part 1 were adequate, you can develop a workable implementation plan.

The following are specific topics to consider when developing your implementation plan.

1. ORGANIZATION STRUCTURE AND STAFFING
   a. What changes need to be made to make the organization’s structure strategy-supportive?
b. What are the new strategy's key activities and strategy-critical tasks, and do they serve as major building blocks in the organization structure? How well is the day-to-day organization functioning? What will it take to correct the problems?

c. What new managerial expertise will be needed? What talents are missing? Are new managers needed?

d. How will the separate activities of functional areas coordinate with the overall business strategy?

e. Where should authority to make decisions be placed?

f. What, if anything, needs to be done to put the needed skills and capabilities in place?

2. BUDGETS, PROGRAMS, AND RESOURCE ALLOCATION

a. What actions are needed to adequately finance/staff strategy-critical tasks and activities?

b. What financial actions are needed to implement strategy?

c. What changes in budget allocations will be required to support the new strategy? What shifts in resources/people need to be made to achieve target objectives and deadlines for accomplishment?

d. Are resources available to fund all of the strategies and moves you are recommending? (Do NOT propose a Strategic Plan that the company cannot afford!)

3A. POLICIES, PROCEDURES, AND INTERNAL OPERATIONS

a. What, if any, changes in policies and procedures are needed to improve the support for strategy execution and day-to-day operation?

b. What new controls, reporting systems, and communications will be required? What actions do you recommend be taken to eliminate the problems you see?

c. What changes are required to ensure good "fits" between strategy and 1) policies and procedures, 2) internal operating approaches, 3) culture, 4) management style, 5) the organization's skills and resources, and 6) rewards and incentives. Develop action recommendations to improve the "fits" as appropriate.

d. Decide if strategy-critical information is available to top management on a timely basis. Develop action recommendations as appropriate.
3B. FUNCTIONAL SUPPORT STRATEGIES

1. What functional support strategy recommendations in such areas as manufacturing, marketing, distribution, finance, human resources, and R&D/technology are needed to make the strategic plan more complete? Propose functional support strategies as appropriate.

2. How does your recommended strategy entail building a distinctive competence? In what functional area(s)? Have you specified how to build this competence?

3C. INFORMATION SYSTEMS PROBLEMS AND IMPLEMENTATION ISSUES

a. What new types of information will you require to monitor the progress and ensure the success of your new strategy? Are these data available? What is required to ensure the information will be available in a timely manner?

b. What types of information will no longer be required? Which reports should be stopped?

4. MOTIVATION, REWARDS

a. What actions need to be taken to improve individual or group motivation levels? What kinds of incentives will it take?

b. How will you make sure the incentives you recommend are linked directly to the achievement of target objectives.

c. Are parts of the organization resisting the chosen strategy? What actions do you recommend to surmount such resistance?

5. CORPORATE CULTURE

a. Are the organization’s values, beliefs, and ingrained behaviors create a culture and a work environment that is in tune with your new strategy? What recommendations would you make to create a stronger fit between strategy and culture?

6. RECOMMENDED MANAGEMENT ACTIONS (Leadership).

a. Virtually every case you analyze will be dealing with calls for some kind of action to be taken by specific managers in the case. It is generally a good idea to begin your list of recommended actions by specifying WHO needs to do WHAT by WHEN.

b. Type in a "personal action agenda" for each manager whom you think needs to do "something." The focus should be on what they need to do PERSONALLY as opposed to what "the company" should do -- your recommendations for "the company" can be discussed later.

c. Specify what leadership actions specific managers in the case need to take. Recommend what kind of management style is needed (especially if human relations problems exist), and indicate how hard and how fast changes should be pushed.
F. CONTROL AND EVALUATION PLAN

Develop a partial control plan sufficient to demonstrate that you understand the process of developing a full control plan that would identify if your recommended strategies and implementation plan are on track, and the corrective measures that will keep it on track using the model described below.

Control is a five step process - The concept of control measures performance, and this requires a comparison between standards/expected performance and actual performance.

1. Decide what to measure - This is a critical step, because this will drive what people do. People do what you inspect, not what you expect. Measures should be simple, meaningful, and sufficient. You want to have enough measures such that you capture all of the critical phases of your plan, providing timely and relevant information to enable corrective action where necessary. At the same time you cannot measure everything and therefore must be selective. Selecting what not to measure is as important as selecting what to measure, because not measuring something may indicate to workers that it is ‘not important’.

Many common performance measures have serious problems. Accounting measures have significant flaws. Although measures such as ROA, ROE, and EPS are widely used, they are subject to managerial manipulation and may not truly reflect a firm’s situation. Selecting measures is a difficult but critical task in the control process.

2. Establish performance standards - Standards may have already been established, in many cases, when objectives were created. Correctly written objectives specify both a quantifiable performance and a time. In any event, a clear, achievable, standard must be specified for each measure. Ideally, if performance for all of your measures meet standard, you can be confident your plan is successful.

3. Measure actual behavior/output - Some mechanism must be established to capture the appropriate data required by your measures and standards. This step should be kept in mind when establishing measures. If there is no practical way of capturing certain data, there is no point in making it a measure.

4. Identify deviations from standard - This is the comparison step where desired and actual performance are compared.

5. Means of corrective action - Once deviations are discovered, there must be feedback to the process in order to correct the problem. The mere capturing of data does not ensure that corrective action will be taken. Feedback can take one of two forms. First, it may be that the standard was inappropriate and needs to be changed. This should be done with caution - a shortfall in performance should not be masked by changing a fair and equitable standard. The second form of feedback is to the task. Changes in the strategy or means of task accomplishment may well be needed.