## BUSINESS AND COMPETITIVE ANALYSIS, SECOND EDITION

## EFFECTIVE APPLICATION OF NEW AND CLASSIC METHODS

Craig S. Fleisher Babette E. Bensoussan

## **Contents**

Preface	How to Use the Book	
Section 1 Es	sentials of Performing Business and Competitive Analy	rsis
Chapter 1	Business and Competitive Analysis: Definition, Context,	
	and Benefits	3
	Understanding the Terminology	4
	Competitive	
	Strategic	5
	Analysis	
	Intelligence	
	Analysis as a Component in the Intelligence Cycle	
	Competitive Analysis and Decision Making	
	The Competitive Context Facing Contemporary Enterprises	
	Contemporary Context Facing the Analyst.	
	Shifting Organizational Priorities for Analysts and Analysis	
	Summary	
	References	
	Endnotes	20
Chapter 2	Performing the Analysis Process	. 22
_	Understanding the "Customers" of Your Analysis Work	23
	Defining the Analysis Problem	
	Identifying the Scope of the Analysis	26
	Intelligence Analysis at Differing Organizational Levels	31
	Strategic Intelligence Analysis	32
	Tactical Intelligence Analysis	
	Operational Intelligence Analysis.	33
	Micro Intelligence Analysis	
	Evaluating the Inputs to Analysis	
	Making Sense of the Analysis	
	Facts	
	Perceptions	
	Beliefs	
	Assumptions	
	Projections	
	Synthesis	39

	Infrastructure to Support the Analysis Process	
	Intelligence Solutions	
	Limitations of Intelligence Solutions	
	Managing the Internal Network	
	Developing and Managing the External Network	
	Proactivity, Efficiency, and Perpetual Learning	
	Summary	44
	Fleisher and Bensoussan's 10 Commandments for Business	
	and Competitive Analysis	
	References	
	Endnotes	47
Chapter 3	<b>Avoiding Analysis Pitfalls by Developing</b>	
	Analytical Fitness	48
	Trade-Offs Made by Analysts	48
	Analysis of Failure	49
	Failure Location	49
	Sources of Failure	50
	Four-Level Hierarchical Model of Analysis Failures	51
	Individual Analyst-Level Failures	53
	Analysis Task-Level Failures	55
	Internal Organizational-Level Failures	57
	External Environment-Level Failures	59
	The Movement to a New Generation of Analysis	62
	Overcoming the Barriers and Improving Performance through	
	Developing Analytical Fitness	63
	Summary	65
	References	66
	Endnotes	68
Chapter 4	Communicating Analysis Results	69
•	The Art of Effective Communication	
	Packaging the Results of Your Analysis	
	Delivering the Message	
	Face-to-Face Briefings	
	Written Reports and Briefings	
	Presentations in Meetings, Seminars, and Workshops	
	E-Mail/Instant Messaging	
	Web-Based Intelligence Solutions and Systems	
	Exercises and Planning Sessions	

	Common Products and Reports Used by Analysis	
	News Bulletins and Newsletters	
	Assessments	
	Competitor Profiles	
	Battlecards	
	Strategic Impact Worksheets	
	Intelligence Briefings	
	Situation Analysis	
	Special Intelligence Summaries	
	Creating the Report	
	Communication Difficulties Faced by Analysts	79
	Effective Listening and Answering the Questions	
	of Decision Makers	
	Conduct Communication Follow-Up and Gather Feedback	
	Pragmatic Considerations	
	Summary	
	References	90
	Endnotes	91
Chapter 5	Applying the FAROUT Method	92
	Applying the Techniques	
	An Evaluation Scheme for Assessing the Adequacy of Tools and	
	Techniques: FAROUT	95
	Using the FAROUT Rating System	
	References	
	Endnotes	
	ew and Classic Methods of Business and	
Co	ompetitive Analysis	
Chapter 6	A Better SWOT Analysis	. 105
	Background	105
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	
	Weaknesses and Limitations	
	Process for Applying the SWOT Technique	
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	
	References	

Chapter 7	Analysis of Competing Hypotheses	123
	Background	123
	Strategic Rationale and Implications	124
	Key Intelligence Topics and Questions	125
	Strengths and Advantages	
	Weaknesses and Limitations	127
	Process for Applying the Technique	128
	Step 1: Identify the Possible Hypotheses to Be Considered	
	Step 2: List the Significant Evidence in Support of and Against	
	Each Hypothesis	128
	Step 3: Prepare a Matrix with Hypotheses Across the Top	
	and Evidence Down the Side	129
	Step 4: Refine the Matrix	130
	Step 5: Draw Tentative Conclusions About the Relative	
	Likelihood of Each Hypothesis by Trying to Disprove It	131
	Step 6: Analyze How Sensitive Your Conclusion Is to a Few	
	Critical Pieces of Evidence	132
	Step 7: Report Conclusions	132
	Step 8: Identify Milestones for Future Observation That May	
	Indicate Events Are Taking a Different Course Than Expected	133
	Summary	133
	Worksheet	133
	FAROUT Summary	134
	Related Tools and Techniques	136
	References	136
Chapter 8	Benchmarking Analysis	137
	Background	137
	Strategic Rationale and Implications	
	Taxonomy of Benchmarking	139
	Key Intelligence Topics and Questions	
	Strengths and Advantages	
	Weaknesses and Limitations	145
	Process for Applying the Technique	147
	Step 1: Identify the Processes That Need to Be Benchmarked	147
	Step 2: Identify Performance Measures	148
	Step 3: Evaluate Your Own Firm's Capabilities	
	Step 4: Identify Firms to Be Benchmarked	
	Step 5: Conduct Research of Selected Firms	
	Step 6: Analyze the Collected Data and Develop an Action Plan	

	Worksheet	155
	FAROUT Summary	
	Related Tools and Techniques	157
	References	157
Chapter 9	Business Model Analysis	159
	Background	
	Strategic Rationale and Implications	
	The Business Model	
	Classification of Business Models	164
	Key Intelligence Topics and Questions	167
	Strengths and Advantages	167
	Weaknesses and Limitations	168
	Process for Applying the Technique	
	Step 1: Articulate the Value Proposition	168
	Step 2: Specify the Target Segment	
	Step 3: Determine Competitors	
	Step 4: Evaluate the Value Chain and the Cost Model	
	Step 5: Evaluate the Value Network	
	Step 6: Determine the Revenue Model for the Firm	
	Step 7: Determine the Critical Success Factors for the Industry	175
	Step 8: Complete an Analysis Grid Detailing Each Element	
	of the Business Model	
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	
	References	
Chapter 10	Competitive Positioning Analysis	
	Background	
	Strategic Rationale and Implications	
	Develop and Build on the Firm's Position	
	Maintain and Hold the Firm's Strong Market Position	
	Defend a Dominant Position.	
	Withdraw from a Market	
	Key Intelligence Topics and Questions	
	Strengths and Advantages.	
	Weaknesses and Limitations	
	Process for Applying the Technique	189
	Step 1: Identify Current Strategy and Market/Product/Project	

	Step 2: Conduct Analysis	192
	Step 3: Review Results and Formulate Positioning Strategy	
	Summary	
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	
	References	
	Endnotes	
Chapter 11	Competitor Cash Flow Analysis	202
_	Background	202
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	
	Weaknesses and Limitations	
	Processes for Applying The Technique	
	Future Cash Flow Analysis	
	Tip Sheet on Cash Flow Analysis	
	Worksheet	218
	FAROUT Summary	
	Related Tools and Techniques	
	References	221
Chapter 12	Critical Success Factors Analysis	222
	Background	222
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	229
	Strengths and Advantages	229
	Weaknesses and Limitations	230
	Process for Applying the Technique	231
	Leidecker and Bruno's Identification Techniques	232
	Determining Critical Success Factor Importance	236
	Worksheet	238
	FAROUT Summary	239
	Related Tools and Techniques	
	References	241
	Endnotes	242

Chapter 13	Driving Forces Analysis	243
	Background	243
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	245
	Weaknesses and Limitations	
	Process for Applying the Technique	246
	Step 1: Identifying an Industry's DFs	
	Step 2: Assessing the Impact of the DFs	
	Worksheet	258
	FAROUT Summary	259
	Related Tools and Techniques	260
	References	
	Endnotes	262
Chapter 14	Event and Timeline Analysis	263
	Background	263
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	265
	Strengths and Advantages	265
	Weaknesses and Limitations	266
	Process for Applying the Technique	267
	Plot the Target Firm's History of Key Events on a Line	267
	Develop a Chronological Table of Events	269
	Develop an Events Matrix	270
	Event and Causal Factors Analysis	270
	Worksheet	278
	FAROUT Summary	278
	Related Tools and Techniques	280
	References	280
	Endnotes	281
Chapter 15	Historiographical Analysis	282
	Background	282
	Strategic Rationale and Implications	283
	Key Intelligence Topics and Questions	285
	Strengths and Advantages	286
	Weaknesses and Limitations	287
	Process for Applying the Technique	288
	Step 1: Develop a General Proposition About the Analytical	
	Target	288

	Step 2: Collect Primary Information	289
	Step 3: Collect and Relate Secondary Information	
	Step 4: Cross-Referen e and Select the Best Sources for the	
	Third Draft	290
	Step 5: Analysis, Validation, and Reporting	
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	
	References	
Chapter 16	Indications and Warning Analysis	206
Chapter 10	·	
	Background	
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	
	Weaknesses and Limitations	
	Process for Applying the Technique	
	Step 1: Establish a Set of Indicators	
	Step 2: Establish Meaning Behind Indicators	304
	Step 3: Validate and Rank Indicators Against Threshold Levels	
	to Determine When Warnings Need to Be Issued	306
	Step 4: Determine and Recommend Appropriate Firm Responses	
	to the Warning	307
	Worksheet	308
	FAROUT Summary	309
	Related Tools and Techniques	311
	References	311
	Endnotes	312
Chapter 17	Industry Fusion Analysis	313
-	Background	313
	General Environment.	
	Operating Environment/Industry Analysis	
	Internal Environment	
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	
	Weaknesses and Limitations	
	Process for Applying the Technique	
	Worksheet	

	FAROUT Summary	33
	Related Tools and Techniques	
	References	
Chapter 18	Interpretation of Statistical Analysis	335
-	Background	
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	338
	Weaknesses and Limitations	338
	Process for Applying the Technique	339
	Percentage Changes	
	Percentiles and Quartiles	
	Normal Distribution and Bell Curve	
	Summarizing Data with One Value—Central Tendency	
	Standard Deviation	
	Comparing Data	
	Regression Analysis	
	Correlation	
	P-Values	
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	
	References	354
Chapter 19	Linchpin Analysis	355
	Background	355
	Strategic Rationale and Implications	356
	Key Intelligence Topics and Questions	359
	Strengths and Advantages	360
	Weaknesses and Limitations	
	Process for Applying the Technique	
	Linchpin Assumption Sensitivity Analysis	
	Process for Using Linchpin Analysis in Assessing Risk	
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	
	References	367
Chapter 20	McKinsey 7S Analysis	368
	Background	368
	Strategic Rationale and Implications	371

	Key Intelligence Topics and Questions	372
	Strengths and Advantages	373
	Weaknesses and Limitations	
	Process for Applying the Technique	375
	Worksheet	381
	FAROUT Summary	
	Related Tools and Techniques	383
	References	
	Endnotes	384
Chapter 21	Product Line Analysis	385
•	Background	
	Strategic Rationale and Implications.	
	Key Intelligence Topics and Questions	
	Strengths and Advantages.	
	Weaknesses and Limitations	
	Process for Applying the Technique	
	Step 1: Initial Product Audit	
	Step 2: Assess the Product Relative to Its Position in the	507
	Product Life Cycle	390
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	
	References	
	Endnotes	
Cl		
Chapter 22	Scenario Analysis	
	Background	
	Strategic Rationale and Implications	
	Methods for Generating Scenarios	
	Quantitative Method: Computer-Generated Econometric Model	
	Qualitative Methods	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	
	Weaknesses and Limitations	
	Processes for Applying the Technique	
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	
	References	424

Chapter 23	SERVU Analysis	. 423
	Background	425
	Strategy	426
	Environment	427
	Resources	428
	Values	
	Organization	
	Strategic Rationale and Implications	432
	Key Intelligence Topics and Questions	
	Strengths and Advantages	434
	Weaknesses and Limitations	
	Process for Applying the Technique	
	Step 1: Evaluate the Current Performance of the Firm	435
	Step 2: Assess the Current Strategy and Discern Whether Change	
	Is Necessary	
	Step 3: Develop and Evaluate Strategic Options and Programs	439
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	444
	References	
	Endnotes	446
Chapter 24	Shadowing	. 447
_	Background	447
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	
	Weaknesses and Limitations	
	Process for Applying the Technique	
	Team Composition	
	Team Structure	455
	Performance Goals	455
	Shadowing	456
	Developing a Shadow Market Plan	
	Mini Case Studies	461
	Case 1: Deregulating Utility	461
	Case 2: Packaged-Food Multinational	
	Case 3: Ready-to-Eat Foods	
	C. A. Plana and J. Pinna	462
	Case 4: Pharmaceutical Firm	402

	FAROUT Summary	463
	Related Tools and Techniques	464
	References	
Chapter 25	Strategic Relationship Analysis	466
_	Background	466
	Strategic Rationale and Implications	469
	Purposes Served by SRs	
	Two Key Strategic Relationship Processes	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	
	Weaknesses and Limitations	475
	Process for Applying the Technique	475
	Studying Your Own Firm's Relationship Formation Readiness	475
	Studying a Rival's Relationships	478
	Worksheet	485
	FAROUT Summary	486
	Related Tools and Techniques	487
	References	
	Endnotes	490
Chapter 26	Supply Chain Management (SCM) Analysis	492
	Background	493
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	496
	Strengths and Advantages	
	Weaknesses and Limitations	498
	Process for Applying the Technique	499
	Rules and Tools	501
	Worksheet	507
	FAROUT Summary	508
	Related Tools and Techniques	510
	References	510
	Endnotes	511
Chapter 27	Technology Forecasting	
	Background	513
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	518
	Weaknesses and Limitations	519

	Process for Applying the Technique	521
	1. Expert Opinion	
	2. Trend Extrapolation	
	3. Growth Curves	
	4. Historical Analogy	526
	5. Scenarios	526
	6. Modelling, Simulations, and Gaming	526
	7. Morphological Analysis	527
	8. Relevance Trees	527
	9. Monitoring	528
	10. Creativity Stimulators	
	Using the Information	
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	
	References	
Chapter 28	War Gaming	539
•	Background	
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	
	Weaknesses and Limitations	
	Process for Applying the Technique	
	Step 1: Is a War Game the Way to Go?	
	Step 2: Getting a Business War Game Off the Ground	
	Step 3: Who Should Play?	
	Step 4: Preparing for Your War Game	
	Step 5: Playing the Game	
	Step 6: After the Game	
	Worksheet	
	FAROUT Summary	
	Related Tools and Techniques	
	References	
Chapter 29	Win/Loss Analysis	556
	Background	
	Strategic Rationale and Implications	
	Key Intelligence Topics and Questions	
	Strengths and Advantages	
	Weaknesses and Limitations	

Process for Applying the Technique	562
Step 1: Determine the Target Segments and Identify Prospects	562
Step 2: Understand Internal Cultural Issues	563
Step 3: Develop the Questionnaire	
Step 4: Prepare for the Interviews	564
Step 5: Conduct Interviews	564
Step 6: Analyze and Interpret	565
Step 7: Disseminate	565
Worksheet	
FAROUT Summary	570
Related Tools and Techniques	
References	571
_	