Case Analysis
Framework - Strategic Management
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Strategic Management

National/Macro Context
Industry Context
Company Resources, Capabilities, and Strategies

Company Performance

Strategic Analysis = Choices

Thinking Strategically About Industry and Competitive Conditions

ID Strategic Options Open to Firm
Choice of Best Strategy

Thinking Strategically About Firm’s Own Situation
Case Background

- Brief factual summary
- 1/2 page or so
- Name of firm, time of case
- Broad issue(s)

PEST or TESP Analysis

- Technological O/T
- Economic O/T
- Socio-cultural O/T
- Political-legal O/T

Macro and Competitive Environments

- General Environment
  - Demographics
  - Political/Legal
  - Global
  - Sociocultural
- Competitive Environment
  - Threat of new entrants
  - Bargaining power of suppliers
  - Threat of substitute products
  - Competitive rivalry

- Macroeconomic
- Technological
**Summary**

- Most important or significant O/T
- not all O/T equally significant
- focus on those with greatest impact

**Industry Analysis**

**5 Forces Model of Competition**

- Substitute Products
- Rivalry Among Competing Sellers
- Potential New Entrants
- Sellers
- Buyers
Porter’s 5 Forces

- Head to head competition L-M-H
- Substitutes L-M-H
- Threat of entry L-M-H
- Power of buyers & suppliers L-M-H

Strategic Group Map

- Cluster the major competitors
- According to their “niche”
- Graphically

Strategic Groups in Department Store Industry

- Upscale
- National Chain
- Warehouse
- Discount

Perceived Quality

Retail Price

High

Low

High

Low
Major Competitor Analysis

- Who are they?
- what strategies are they pursuing
- relative market share? profitability?

Driving Forces

- major forces of change affecting all firms
- e.g. entry of new competitors
- de-integration
- globalization of industry

Key Success Factors

- Generic characteristics for all firms
- necessary for success
- regardless of particular business strategy
- whether low cost or differentiation
Overall Industry Attractiveness

- Based on:
  - Porter’s 5 forces analysis
  - driving forces, KSFs, competitor analysis
  - industry (un)attractive e.g. ROI?

Business Unit Analysis

Value Chain

- Apply S/W to Porter’s VC
- under each heading
- also helps understand Hamel Framework
Value Chain

Primary Activities and Costs

- Inbound Logistics
- Operations
- Outbound Logistics
- Sales and Marketing
- Service
- Profit Margin

Support Activities and Costs

- Product R&D, Technology, Systems Development
- Human Resources Management
- General Administration

Value Chain System

Upstream Value Chains
- Activities, Costs, & Margins of Suppliers

Company Value Chains
- Internally Performed Activities, Costs, & Margins

Downstream Value Chains
- Activities, Costs, & Margins of Forward Channel Allies

Buyer/User Value Chains

Hamel’s Framework

- Core Competencies
- Core Product
- End Product
- SCA
Hamel's Competency Framework

Core Competencies

What a firm *Does*...
that is Strategically Valuable

Core Competencies must be:

- Valuable
- Rare
- Costly to Imitate
- Nonsubstitutable

Outcomes from Combos of Criteria for SCA

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<th>Costly to Imitate</th>
<th>Nonsubstitutable</th>
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Financial Statement Analysis

A. Investment Return

- Capital Market Ratios:
  - EPS
  - P/E

B. Financial Strength

- Liquidity Ratios:
  - Current, Acid Test

- Solvency Ratios:
  - D/A, D/E, Interest Coverage, Cash Flow/Debt

C. Management Performance

- Profitability Ratios:
  - Gross Margin
  - Net Profit Margin
  - Return on Assets
  - Return on Equity
  - Return on Capital
D. Resource Utilization Ratios

- Asset Turnover
- Payables Turnover

Mission Statement

- Construct firm’s mission from data
- may recommend changes in mission
- under strategies

Corporate Objectives

- Presently followed by firm
- quantitative objectives
- qualitative objectives
Overall Firm (un)Attractiveness

- Based on:
  - ✓ value chain analysis
  - ✓ core competency analysis
  - ✓ F/S analysis
  - ✓ sustainable competitive advantage

- is firm attractive e.g. ROI or profitability?
Strategic Issues

A Diversified Company

Corporate Issues

1. What businesses should we be in?
   - re macro, industry, firm O/T, S/W analysis
     - vertical, horizontal, international diversification
     - internal growth vs acquisitions vs alliances

2. How should corporate govern SBUs?
   - Centralized vs decentralized
   - large HQ vs small HQ
   - portfolio approach vs competencies approach
Business Level Issues

1. What product markets should we be in?
   - Horizontal (McDonalds sells chicken)
   - Vertical (outsourcing)

2. How should firm produce SCA?
   - Which of 4 generic strategies?

Functional Level Issues

- How should the functional depts support the SBU strategy
- What functional strategies needed

Corporate and Business Strategy
Corporate Strategy Alternatives

- List and analyze major alternatives:
  - vertical, horizontal, intl diversification
  - internal growth vs acquisitions vs alliances
- should address issues defined above

Business Strategy Alternatives

- List and analyze strategy alternatives
- should address issues at SBU defined above
Summary

• Summarize major O/T in PEST
• summarize strength of 5 forces
• summarize industry (un)attractiveness
• summarize VC & major competencies
• summarize major strategic issues
• summarize corporate & business strategies
• summarize how strategy recommendations solve problems