

## **Assignment: Strategic Analysis of a Firm (Written)**

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[ updated: Monday, June 20, 2022 ]

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**Course:** BUS 497a

**Title:** Capstone: Strategic Management (3 units)

“The purpose of a business is to create and keep a customer.”

“Management is doing things right; leadership is doing the right things.”

“The best way to predict the future is to create it.”

“If you want something new, you must stop doing something old.”

-Peter Drucker (1909-2005)

### **Goal**

The purposes of this assignment are as follows:

- To analyze a firm and its industry with breadth and depth
- To identify one or more important strategic issues facing the firm
- To draw out ethical issues of importance to this firm and to this industry
- To use skills, knowledge, abilities from this course and prior courses
- To make actionable recommendations to overcome obstacles and leverage opportunities
- To continuously improve the practice of writing in substantive business contexts

### **Instructions**

In general, your team’s task is to analyze a firm, its industry, and the societal context affecting either the firm or industry. Essentially, your team is analyzing key strategic issues facing the firm.

Both team composition and selection of a firm will be done before the middle of the semester. Each person in each team must contribute both to the analysis and to the writing. The written deliverable must be printed and delivered to the instructor at the beginning of class on the due date. The written deliverable must also be submitted electronically via email to the instructor no later than 1 hour before the beginning of class on that day.

### **Deliverable**

The due date is listed on the course outline. Before that due date, there should be enough time in or out of class to go over any questions your team may have.

### **Length**

The “Main Body” of the written deliverable must be no less than twenty-five pages and no more than forty pages (not including the cover page, cover letter, executive summary, references, or

appendices). The written deliverable may include an Appendix or may not include an Appendix depending on circumstances.

## Scoring

There will be 100 points allocated for breadth and depth of content. There will be 100 points allocated for language use and grammar.

## Evidence and Persuasion

Leadership is likely the most important aspect of human capital in a firm. Strategy is the most important set of tasks in a firm. However, strategy within a firm depends on understanding the industry (or industries) a firm competes in. And further, industry analysis depends on understanding one or more aspects of societal context. Your team's report starts with "macro-" strategic issues, and winds its way down to "micro-" strategic issues.

Despite the terms "data-driven" and "analytics-focused" being popular, strategy is actually a mix of quantitative and qualitative evidence. Individuals use evidence to help inform decision-makers, but evidence *by itself* does not make any strategy. Individuals make strategy. Not only do individuals make strategy ("strategy formulation"), but individuals evaluate the results of data analysis of the strategy ("strategic execution").

Since individuals are central to strategy, then both objectivity and subjectivity are important. By objectivity, I mean the rigorous and relevant use of evidence. By subjectivity, I mean persuasion. Data, even financial data, isn't enough, at least not for strategic issues. Professionals and managers need to *convince* executives, especially on issues of strategic importance. Your team earns your way to the strategy table by being able to persuade a decision-maker that your team's view is the best one. Another way to look at it is as follows: You, yourself, are likely to be a decision-maker with substantive organizational responsibilities, and in that elevated capacity you would want the best evidence and logical argumentation *provided to you*.

Finally, remember what strategy is about: Strategy is long-term in nature, organization-wide in scope, and requires substantive change in working capital and/or human behavior. Your team's analysis should, as much as reasonably possible, touch upon each of those four elements as appropriate. The amount of *emphasis* given to one over the others is, naturally, contextually dependent.

## Content

In general, the structure of the content ("main body") of the written deliverable is to follow the general outline and sequence of the scoring rubric. Use your own words, and not chapter titles. Apply the concepts from chapters that help your team analyze the firm, industry, and society. In addition, of course, to material from this course, this assignment builds upon ideas from several general education, lower-division core, and upper division courses.

The following document contains additional details regarding this written analysis including the correct sequence:

<https://ocw.smithw.org/bus497a/casewritingrequirements.pdf>

Use a “References” (or “Works Cited”) page. Make sure your team also uses “In-Text” Citations as well. The specifics of the citations are enumerated in the document above.

## **Introduction**

Provide an introduction and overview of each member of the team. What skills, knowledge, and abilities does each team member bring to the team? How do those skills, knowledge, and ability contribute to a decision at the strategic-level? Which skills, knowledge, or abilities are from education and which are from experience?

Provide an introduction and overview of the firm. Summarize the material (i.e., important) qualitative (history, headquarters location, employee size, ownership structure, other locations, etc.) and quantitative material highlights (annual domestic revenues, market value, etc.).

## **Industry-level Analysis**

Industry issues tend to be mostly unique to a particular industry. Often, these are Political, Economic, Sociological, Technology concerns. Where are the power centers located? What the power dynamics in the industry (or industries)? How are they changing? How are the players, or peers of the firm, changing or defending their relative positions? Sometimes, firms compete in multiple industries. If so, your team might have to pick a single industry to analyze.

Industry issues touch upon societal issues too which can also have overall changes or trends. Often, these are Legal or Environmental concerns. The FRED database can be useful for macro-level issues. Also, the General Social Survey database can be useful.

Naturally, industry issues touch upon firm issues. Don’t mix the two in the industry analysis, but the nexus (intersection) between one or more industry issues and one or more firm issues can make a nice transition in the written or presentation.

## **Use of Two Non-Class Articles**

Your team must use at least two external articles to support your analysis. See “Sources for Non-Class Articles” (below). These articles help set up the strategic background and issues, or in the terms of our class, the specific strategic *opportunities* and *challenges* that the industry faces.

## **Use of Two Textbook Theories**

Your team must use at least two different Textbook theories, models, or frameworks in your team's analysis. One of the theories must come from Chapter 3. The other theory must come from one of the other Textbook chapters except Chapter 9 (leave that for the Firm-level Ethical Analysis). Your team's task is to choose the theories that *best* support your team's reasoning and your team's analysis in addressing the details of the various opportunities and challenges in the industry.

### **Use of a Non-Textbook Theory**

Your team must use at least one theory from the class lectures *not* from the Textbook. These would be specific elements drawn from readings on [Economic Drivers](#), [Leadership Overview](#), [Technology and Analytics](#), and [Complex Systems](#).

### **Analogy Drawn from a Class Library article**

Your team must draw at least one analogy from one of the "Library" readings from our course outline. Analogies help strengthen your team's analysis. It's easy to make a weak analogy; it requires significant effort, substantive review, and productive discourse with the entire team to make a strong analogy.

### **Appropriate use of LDC or UDC concept**

Your team must use at least one idea from the four upper-division core courses (i.e., FIN 303, MGT 360, MKT 304, or SOM 306); or, at least one idea from the six lower-division core courses (i.e., Principles of Financial Accounting, Principles of Managerial Accounting, Principles of Micro-Economics, Principles of Macro-Economics, Business Statistics, or Business Law. See Sources for LDC/UDC concepts (below). In addition, your team members' own textbooks and course materials, and the textbooks on reserve in the Oviatt Library Reserve Bookroom may be helpful.

### **Decision Table**

Your team must use quantitative (numeric data) reasoning in your team's analysis at the industry-level. Your team needs to make a decision table similar to the ones in the Textbook. In the 6<sup>th</sup> edition, examples of such tables are in Chapter 4 (p. 41) and in Chapter 8 (pp. 166 and 168). The table can be at any strategic level: *business-level*, *product-level*, or *process-level*. That is, the table can compare firms within the same industry, a firm's products with other firms' products within the same industry, or a firm's processes with other firms' processes within the same industry. In some cases, a firm may do business in multiple industries; in that case simply choose an industry of key interest. Also, use at least two other competitor firms in your team's table. Finally, where your team has data, use data to inform the table's attributes, weights, and values. Where your team doesn't have data, your team can estimate or speculate as needed. When estimating or speculating any number, just be clear to the reader and audience what your team is doing.

Mergent Online and IBISWorld, among other sources, can be helpful for quantitative and qualitative data at the industry-level.

## **Firm-level Analysis**

Firm issues tend to be broadly categorized by “level”: recall the three “levels” from the Strategy Story assignment done earlier in class: the *business*-level (“the core business model”), the *product*-level (“key goods or services”) or a *functional*-level (“crucial internal processes”). Strategy involves at least one but possibly more of these three levels. Depending on the strategic issues, teams will need to choose the right mix of those three. Minimally, a team will need to balance breadth vs. depth, quantitative vs. qualitative techniques, strategic formulation vs. strategic execution, and theory vs. practice. Different strategic issues require a different set of balances. Also, even if two BUS 497a teams chose the same company, the resulting analysis may be similar but not exactly the same. This is due to 1), the nature and complexity of strategic analyses, and 2), differing experiences, expectations, and perspectives of individuals and teams.

Ensure that your team elaborates on why your team selected issues that are truly strategic: that is, how does your team know that the issues are *long-term in nature*, are *organization-wide in scope*, and require *substantive change on the part of many individuals within the organization*?

### **Use of Two non-Class Articles**

Your team must use at least two external articles to support your team’s analysis. See “Sources for Non-Class Articles” (below). These articles help set up the strategic background and issues, or in the terms of our class, the specific strategic *opportunities* and *challenges* that the firm faces.

### **Use of Two Textbook Theories**

Your team must use at least two different Textbook theories, models, or frameworks in your team’s analysis. One of the theories must come from Chapter 4. The other theory must come from one of the other Textbook chapters except Chapter 9 (leave that for the Firm-level Ethical Analysis). Your team’s task is to choose the theories that *best* support your team’s reasoning and your team’s analysis in addressing the details of the various strategic opportunities and challenges.

### **Use of a non- Textbook Theory**

Your team must use at least one theory from the class lectures *not* from the Textbook. These would be specific elements drawn from readings on [Economic Drivers](#), [Leadership Overview](#), [Technology and Analytics](#), and [Complex Systems](#).

### **Analogy Drawn from a Class Library article**

Your team must draw at least one analogy from one of the “Library” readings from our course outline. Analogies help strengthen your team’s analysis. It’s easy to make a weak analogy; it

requires significant effort, substantive review, and productive discourse with the team to make a strong analogy.

### **Appropriate use of LDC or UDC concept**

Your team must use at least one idea from the four upper-division core courses (i.e., FIN 303, MGT 360, MKT 304, or SOM 306); or, at least one idea from the six lower-division core courses (i.e., Principles of Financial Accounting, Principles of Managerial Accounting, Principles of Micro-Economics, Principles of Macro-Economics, Business Statistics, or Business Law. See Sources for LDC/UDC concepts (below). In addition, your team members' own textbooks and course materials, and the textbooks on reserve in the Oviatt Library Reserve Bookroom may be helpful.

### **Financial Statement Analysis**

Your team must use quantitative (numeric data) reasoning in your team's analysis at the firm-level. Chiefly, this involves accessing formal firm data, performing appropriate analysis, and generating results and insights. A good analysis would involve calculating various financial ratios. A better analysis would involve using a hypothesis test (explanation) or linear regression (prediction). A best analysis might involve ratios and statistical tests that support actionable recommendations.

CalcBench and its source, the S.E.C. Edgar database, can be helpful for quantitative and qualitative data at the firm-level. Additionally, a company's annual report can be helpful for quantitative and qualitative data. Sometimes, companies produce related reports on a recurring basis such as a Balanced Scorecard or a Corporate Social Responsibility report.

### **Firm-level Ethical Analysis**

Discuss at least one ethical issue that arises in your team's analysis of your selected firm. One approach, but certainly not the only one, is to answer the following five questions (Badaracco, 2016--<https://hbr.org/2016/09/how-to-tackle-your-toughest-decisions>):

- What are the net consequences of all the company's options?
- What are the company's core obligations?
- What will work in the world as it is?
- Who is the company?
- What can the company live with?

### **Use of a Non-Class Articles**

Your team must use at least one external article to support your ethical analysis. See "Sources for Non-Class Articles" (below). This article helps set up the ethical background and issues, or in the terms of our class, the specific ethical *opportunities* and *challenges* that the firm faces.

### **Use of a Textbook Theory**

Your team must use at least one Textbook theory, model, or framework in your team's analysis. The theory must come from Chapter 9 of our Textbook. Your team's task is to choose the theory that *best* support your team's reasoning and your team's analysis in addressing the details of the various ethical opportunities and challenges.

### **ESG or U.N. Global Compact Classification**

Ethical issues can be broad and expansive but to analyze them, much less make actionable recommendations, need to be clear and explicit. Classify the ethical issue or issues. 1), Your team can use one or more of the four U.N. Global Compact categories (Human Rights, Labor, Environment, or Anti-Corruption) that we discussed briefly in class. Which category does your issue or issues fall into? Be specific. Which principle in which category does your team feel applies the most?

<https://www.unglobalcompact.org/what-is-gc/mission/principles>

Or, 2), Your team can use one or more of the three Environmental, Social, or Governance (ESG) categories that we discussed briefly in class. Which category does your issue or issues fall into? Again, be specific. Which specific element in which category does your team feel applies the most?

<https://research.ftserussell.com/products/downloads/ESG-ratings-overview.pdf>

### **CSR Justification**

Your team must use at least one theory from our brief class discussion on Corporate Social Responsibility (CSR). Approaching an ethical issue requires a CSR justification. In other words, CSR grounds the ethical issue. A CSR theory or theories makes the time, resources, and effort directed at evaluating the issue leading change forthright and valuable. Which CSR element does your team feel most applies?

<https://ocw.smithw.org/mgt360/montana-charnov-csr.pdf>

Additionally, make any reasonable counter-argument that your team feels is appropriate. You do this by using a different CSR *theory*. Again, draw upon the theories in our class CSR reading (above).

### **Normative Ethics**

CSR theory, in turn, is based up Normative Ethics. Normative means "should". Your team must use at least one ethical theory (Utilitarianism, Deontology, Nicomachean, Rights, or Justice, but not CSR because that was in the prior section) from the "Ethical Decision-making" presentation in the "Assumptions I'll Make About You" section of the first day's class.

<https://ocw.smithw.org/mgt360/ethical-thinking-ws-short.pptx>

Additionally, make any reasonable counter-argument that your team feels is appropriate. You do this by using a different ethical *theory*. Again, draw upon the theories in our class “Ethical Decision-Making” reading (above).

## Conclusions

Provide actionable recommendations to the top management team (“C”-level executives). There should be more than a single recommendation, and there should be some richness to the recommendations. The former breadth is needed because this analytical report is about strategy, not operations, and therefore it is about change, relationships, and interactions. The latter depth is needed because this analytical report must provide a foundation for further decisions by the top management team. Also, be clear as to how your strategy recommendations should be evaluated (e.g., Drucker’s Principles, Balanced Scorecard etc.).

No analysis is ever fully complete. Describe your team’s limitations as appropriate. Might the team have suffered from one or more cognitive biases (a good list is available on Wikipedia). Could you have benefitted from a specialist from a different discipline? Essentially, what might be important but you know you are missing it?

What additional *quantitative* data might be useful for future work? Does it exist and you didn’t have time? Do you even know if the data exists at all? What additional *qualitative* data might be useful for future work? Could an in-depth interview, oral history, focus group, ethnography, content analysis, or case study be a helpful method? (each of these have Wikipedia pages).

## Sources for Non-Class Articles

The sources for the articles for this class will be drawn from the following set:

- Newspapers (Dailies)
  - Los Angeles Times
  - New York Times
  - The (London) Times
  - Wall Street Journal
  - Financial Times
- Magazines (Weeklies or Monthlies)
  - The Economist
  - Bloomberg BusinessWeek
  - Forbes
  - Fortune
  - Barron’s

These sources embody a high degree of investigative journalism regarding business-related activities. To make a strong analogy, you want sources that emphasize authority, educational



value, intent, originality, and quality. If you want to use something else, it must be approved by me in advance (it's possible, but have a back-up plan just in case).

## Sources for LDC/UDC Concepts

FIN 303 – Financial Management

<http://www.csun.edu/~jpd45767/303/fin303.html>

MGT 360 – Management and Organizational Behavior

<https://openstax.org/details/books/principles-management> (MGT)

<https://openstax.org/details/books/organizational-behavior> (OB)

<https://ocw.smithw.org/mgt360/textbook/carpenter.pdf> (MGT/OB)

MKT 304 – Marketing Management

<https://open.umn.edu/opentextbooks/textbooks/principles-of-marketing>

SOM 306 – Operations Management

<http://www.csun.edu/~vcmgt0j3/SOM306.html>

In addition to your own textbooks and course materials, and the textbooks on reserve in the Oviatt Library Reserve Bookroom, the following textbooks may also be useful.

ACCT 220 – Introduction to Financial Accounting

<https://open.umn.edu/opentextbooks/textbooks/4>

ACCT 230 – Introduction to Managerial Accounting

<https://open.umn.edu/opentextbooks/textbooks/137>

ECON 160 – Principles of Microeconomics

<https://openstax.org/details/books/principles-microeconomics-2e>

ECON 161 – Principles of Macroeconomics

<https://openstax.org/details/books/principles-macroeconomics-2e>

BLAW 280 – Business Law I

[https://saylordotorg.github.io/text\\_foundations-of-business-law-and-the-legal-environment/](https://saylordotorg.github.io/text_foundations-of-business-law-and-the-legal-environment/)

MATH 140/SOM 120 – Business Statistics

<https://openstax.org/details/introductory-statistics>

<https://open.umn.edu/opentextbooks/textbooks/60>

Remember that each BUS 497a student has passed the BUS 302L “Gateway Lab” as well. While not textbooks, per se, the “top ten topics” and the concomitant review/study material for each of the six lower-division core subjects above make strong supporting and reference materials too.

<https://www.csun.edu/nazariancollegeadvisement/review-materials>

## Sources for Quantitative Reasoning

A good start for data is the Business Databases available via the Library:

<https://libguides.csun.edu/bus/library-databases>

The FRED database is good for macro-level data. It's run by the Federal Reserve Bank in St. Louis:

<https://libguides.csun.edu/az.php?a=f>

Data-Planet is well-organized (hierarchical) system of data that helps with various kinds of business, political, and social queries, with results that can be filtered by year and region.:

<https://libguides.csun.edu/az.php?a=d>

Remember too that for general, broad information, the U.S. Census (data.census.gov) can be quite helpful, especially for demographic data and trends (formerly known as the American Fact Finder):

<https://libguides.csun.edu/az.php?a=d>

Mergent Online also provides extensive information on companies and their competitors. It provides more firm information than what is required by the Securities and Exchange Commission (SEC) and can then therefore do industry-level analyses:

<https://libguides.csun.edu/az.php?a=m>

IBISWorld provides some of the best publicly available data on industries and markets. IBISWorld combines public- and private-data together for industry-by-industry analyses:

<https://library.calstate.edu/northridge/databases/alphabetical?alpha=I>

One CSUN-provided database for company stock prices is Y-Charts. Y-Charts is useful for accessing stock prices, among other things:

<https://library.calstate.edu/northridge/databases/alphabetical?alpha=Y>

Another CSUN-provided database is CalcBench. CalcBench is useful for accessing publicly-held financial statements. The source of this database is the SEC EDGAR system, however the web interface and usability is much improved over the standard EDGAR web interface:

<https://library.calstate.edu/northridge/databases/alphabetical?alpha=C>

The CSUN Library provides links to additional statistical data as well:

<https://library.calstate.edu/northridge/databases/subject/statistical-data>

Other sources of quality data that students have found useful in the past are:

<https://WSJMarkets.com/>

<https://google.com/finance>

<https://yahoo.com/finance>

<https://www.theharrispoll.com>

<https://www.statista.com/>

<https://www.axios.com>

## **Tips for Quantitative Reasoning**

Financial ratios and marketing data are a start but they, by themselves, are incomplete. Look for trends and patterns. What are you comparing and contrasting? Just solely in the area of performance, there are at least five major kinds of performance evaluation:

### *Improvement*

Comparing current performance with past performance.

### *Comparative*

Comparing current performance to the performance of peers.

### *Goal*

Comparing current performance to the performance stated in a clear/explicit goal.

### *Ideal*

Comparing current performance to an ideal or perfect performance.

### *Stakeholder*

Comparing current performance to the expectations of one or more stakeholders.

You'll most likely rely on financial statements but there are other kinds of data too (e.g., marketing, operations, management). Recall the "Balanced Scorecard" (examples on Wikipedia). You must make a conscious decision to exclude one of these. Be prepared to justify your answer.

Just understanding data is difficult. *Data* is raw, *Information* is meaningful data, *Knowledge* combines explicit information with tacit information, and *Wisdom* is extraordinary insight or foresight. In your quantitative reasoning, can you distinguish between these in a clear way; that is, clear in the eyes of the decision-makers (audience)?

Which parts of your analysis are relatively *objective* (fact-based, education-based, primary-sources, first-person)? Which parts are relatively *subjective* (intuition-based, experience-based, secondary-sources, third-party)?

Are you *explaining* or *predicting*? Both are about understanding, however, explanations are of the recent past, and predictions are about the near future. Both are important but require different kinds of analytical techniques (the former, perhaps, hypothesis testing; the latter, perhaps, linear regression).

Are you *modeling* or *judging*? You develop models when you have some data; you use judgment when you don't have much data.

How have you maximized *rationality* and/or minimized *uncertainty* in the eyes of decision-makers? How have you leveraged *serendipity* and/or controlled *complexity*, again, in the eyes of the decision-makers?

Have you discussed *reward* and *risk* in the same context? One without the other will lead to weak results. Have you discussed *measurement* and *management* in the same context? One without the other is ineffective.

Perhaps most importantly, link your qualitative recommendations with your quantitative support. For example, at the strategic-level, you can't just say purchase new factory equipment or change the ad-buys from Google AdSense to Spotify. If that recommendation requires resources—and it will—where will those resources (funds, budget, re-allocation) come from (e.g., working capital, cash flow, discounted ROI on sales over time, stock buy-back, net amortization, etc.)?