

SWOT ANALYSIS FROM A RESOURCE-BASED VIEW

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An approach to SWOT analysis is delineated and illustrated that mitigates shortcomings fostered by prevailing SWOT analysis conventions. SWOT analysis – the identification and assessment of strengths, weaknesses, opportunities, and threats – is intended to yield strategic insights. However, typical procedural guidelines consist largely of catchall questions devoid of explicit theoretical underpinnings. Too often, they produce shallow misleading results. As shown in this article, more penetrating strategic insights can be gained by following SWOT analysis guidelines derived from contemporary strategic management theory, especially the resource-based view of the firm.

INTRODUCTION

Business strategy is equated widely with crafting and maintaining a profitable fit between a commercial venture and its environment. SWOT analysis, which inquires into strengths, weaknesses, opportunities, and threats (SWOTs), is the traditional means of searching for insights into ways of realizing the desired alignment (e.g., Ansoff 1965; Andrews 1987; Porter 1991; Mintzberg, Ahlstrand, and Lampel 1998). This article proceeds with a brief critique of conventional SWOT analysis. Thereafter, it provides the conceptual foundations of a better approach: resource-based SWOT analysis. It also delineates and illustrates the recommended approach. Executives who make strategic decisions, students whose assignments require analyzing cases or developing business plans, and educators who teach strategic decision making will find resource-based SWOT analysis especially useful.

A BRIEF CRITIQUE OF CONVENTIONAL SWOT ANALYSIS

Prevailing expositions of SWOT analysis make the technique look much too easy: Simply fill in the quadrants of Figure 1, they suggest, by listing favorable and unfavorable internal and external particulars. Then ponder how strengths may be leveraged to realize opportunities and how weaknesses, which exacerbate threats or impede progress, may be overcome (e.g., Hofer and Schendel 1978; Schnaars 1998; Thompson and Strickland 1998; McDonald 1999; Kotler 2000).

While some expositions proceed as if strategically significant SWOTs were apparent at a glance, most include checklists,

FIGURE 1
CONCEPTUAL STRUCTURE OF THE SWOT FRAMEWORK

	Internal Factors	External Factors
Favorable Factors	STRENGTHS	OPPORTUNITIES
Unfavorable Factors	WEAKNESSES	THREATS

which are intended to facilitate the search for SWOTs and their strategic implications. Conventional SWOT checklists are exemplified by Thompson and Strickland's (1998, p. 107) rendition. It includes the likes of "powerful strategy" and "attractive customer base" among potential strengths and notes that "Likely entry of potent new competitors" and "Vulnerability to industry driving forces" are potential threats. Unfortunately, casually entertaining amorphous possibilities seldom reveals which factors are pivotal and which are peripheral. Nor does it shed much light on the sustainability of advantages and the persistence of disadvantages. Needed are reliable guidelines for assessing whether a strategy is powerful, a customer base is attractive, competitive influx is imminent, and so forth (Schoemaker 1990).

Kotler (2000, p. 78) provides a checklist for evaluating strengths and weaknesses in terms of various performance dimensions, which are exemplified by market share. Deeming market-share leadership a strength seems logical on the surface because frontrunners must be doing something right, and empirical studies have revealed correlations between market share and profitability (e.g., Buzzell, Gale, and Sultan 1975;

Jacobson and Aaker 1985). However, doing so diverts attention from causal details that determine whether market-share leadership is relevant and sustainable.

For instance, even though IBM dominated the personal computer (PC) industry in the early 1980s, its position was vulnerable. IBM rose to the top largely because its name greatly reduced perceived risk at a time when customers found buying a PC dicey. As clones gained credibility, the power of the IBM name waned, as did market share and profitability. Whatever size advantages IBM enjoyed (e.g., scale economies in advertising and purchasing power) were offset by encumbrances (e.g., overhead and bureaucracy).

Market-share leadership and first to market are among the correlates of profitability that comprise accomplishments whose implications are complex, indefinite, and far from self-evident. At best, references to their strategic significance are oblique allusions to more direct determinants of profitability, such as scale economies, which may or may not operate within the pertinent context. At worst, they are self-congratulatory irrelevancies.

An extensive review of popular textbooks suggests that deficient expositions of SWOT analysis abound. Moreover, flaws are akin to those found in Thompson and Strickland's (1998) best-selling strategic management text and Kotler's (2000) marketing management standard-bearer. Rather than provide a sense of direction for delving deeply into strategic issues, conventional SWOT checklists seemingly beckon analysts to limit their work to judging offhandedly which listed items characterize a business and which do not. They are laden with catchall questions that lack coherent theoretical underpinnings, slight contextual complexities, prompt analysts to meander haphazardly from one issue to another, and leave in doubt how listed issues are to be examined. Consequently, traditional SWOT analyses often yield only shallow extemporaneous inventories that are as likely to detract from critical issues, themes, and thrusts as illuminate them (Hill and Westbrook 1997; McDonald 1999).

CONCEPTUAL UNDERPINNINGS OF RESOURCE-BASED SWOT ANALYSIS

Resource-based SWOT analysis alleviates shortcomings of traditional SWOT analysis not by eliminating checklists, but by focusing on systemic causal issues that afford more perceptive, reliable, and actionable insights. It is grounded in contemporary strategic management and marketing theory, especially the resource-based view of the firm (e.g., Wernerfelt 1984; Conner 1991; Amit and Schoemaker 1993; Peteraf 1993; Hunt 2000). However, it also draws notably from two complementary frameworks, Porter's (1979, 1980) well-known competitive forces paradigm and Brandenburger and Nalebuff's value net (1995, 1996).

Firms as Heterogeneous Bundles of Resources

From a resource-based view every firm is a unique bundle of resources that determines which external circumstances afford opportunities and which pose threats. Further, comparative advantages and disadvantages in resources are tantamount to strengths and weaknesses, respectively, that engender cost and differentiation advantages or disadvantages in competitive product markets (Day and Wensley 1988; Porter 1980, 1991; Hunt 2000). Critical resources may include the tangible and intangible types noted in Table 1 (Hunt and Morgan 1995; Teece, Pisano, and Shuen 1997; Srivastava, Shervani, and Fahey 1998).

TABLE 1
TYPES OF TANGIBLE AND INTANGIBLE RESOURCES

-
- *financial* – e.g., cash and access to financial markets
 - *physical* – e.g., facilities, equipment, configurations, and raw materials
 - *intellectual* – e.g., expertise, formulas, and discoveries
 - *legal* – e.g., patents, trademarks, and contracts that protect intellectual capital
 - *human* – e.g., employees' individual expertise and skills
 - *organizational* – e.g., culture, customs, shared visions and values, routines, and working relationships
 - *informational* – e.g., customer and competitor intelligence
 - *relational* – e.g., strategic alliances; relations with customers, vendors, and other stakeholders, which often are affected by bargaining power and switching costs
 - *reputational* – e.g., brand names that reduce perceived risk or have symbolic value
-

Resources are building blocks of capabilities (Amit and Schoemaker 1993; Hunt 2000), but rigid distinctions between resources and capabilities need not be drawn (Conner 1991; Barney 1997, p. 144). Only a hierarchy need be envisioned wherein relatively complex high-level capabilities are created by combining low-level resources and capabilities (R&Cs). For instance, Federal Express is capable of providing reliable economical next-day small-parcel delivery services because it has requisite communications and air transport systems. It fashioned these high-level R&Cs, or assets, from innumerable tangible and intangible low-level R&Cs, including communications equipment, aircraft, people, expertise, teamwork, and strategic vision.

R&Cs may be relatively mobile or immobile assets, depending on how readily they can be exchanged or redeployed. Immobile R&Cs often are highly specialized or deeply embedded. The most specialized R&Cs can engender value that exceeds their cost only in their present use (Lippman and Rumelt 1992). Deeply embedded R&Cs are maximally productive only within complex asset constellations; unlike standardized plug-in modules, they cannot be uprooted and moved intact (Dierickx and Cool 1989).

R&Cs also may be relatively mobile or immobile in terms of their legal and economic bonds to an organization. For

example, professional football players are highly mobile if (1) they are free to sign with any bidder for their services (i.e., they have legal mobility) and (2) several organizations seem capable of deriving approximately maximum productivity from them (i.e., they have economic mobility).

R&Cs that are not bound to a firm and whose value in-use is transparent tend to gravitate toward organizations that can derive approximately maximum value in-use from them. Maximum value in-use equals the discounted earnings an asset yields when used most productively (Barney 1986). A firm can afford to outbid other well-informed rational contenders and still profit from an asset acquisition if it can derive the most value from the asset. Generally, a purchasable asset is a source of substantial profit premiums only if the buyer can use it much more productively than anyone else, possesses superior insight into its true value in-use, or is lucky (Barney 1986; Teece, Pisano, and Shuen 1997).

Because firms are heterogeneous and R&Cs are not perfectly mobile, environmental circumstances that afford some contestants opportunities may threaten others. Moreover, firms differ in their abilities and resolve to shape environments to their advantage (Hamel and Prahalad 1993).

Limiting Determinants of Profitability

Firms generate revenue by using R&Cs to make products or otherwise add value and then exchanging products for money. To earn profits, products offered for sale must fetch prices and revenues that exceed cost. A product, in the intended broad sense, is a complement of outputs that includes all aspects of a purchase and the attendant purchasing process, such as goods, services, warranties, brand names, information, delivery arrangements, and shopping convenience. Customers' product choices generally reflect their aims to realize desirable consequences and avoid undesirable consequences (Peter and Olson 1996). The maximum profit a product can possibly yield is the difference between its customer value (CV) and its cost.

Customer Value (CV)

CV has been defined in diverse ways (Zeithaml 1988; Gale 1994). Following Hunt and Morgan (1995), it is equated here with the worth that customers as individuals, as market segments, or as a mass place on the consequences they attribute to a product. It stems from perceived or expected performance in satisfying customers' functional and psychic needs (Sheth, Newman, and Gross 1991) and may depend on user networks or on the availability and quality of complements. A telephone, for example, conveys little CV, unless a network of telephone users exists, and a computer conveys little CV without complementary software.

From the present vantage point, a product's CV is independent

of its price and independent of the performance and price attributes of competing offerings. However, to be salable, a product's CV must exceed its price, which must cover costs in the long run. Producing outputs whose CV-cost differentials are positive is necessary, but usually is not sufficient to ensure profitability because competitive pressures typically force the prices and revenues a product can fetch substantially below the CV level. Hence, to be viable, outputs usually must also boast competitive CV/cost ratios (Gale 1994).

Typically, CV evaluations are made along several performance, or benefit, dimensions. The importance of these dimensions and the importance of price can vary dramatically over time, across situations, and among customer segments (Dickson 1982; Dickson and Ginter 1987; Gale 1994; Hunt 2000).

Costs

Product costs, which are examined further in later sections, depend on (1) internal efficiency in converting inputs to outputs, (2) costs incurred in developing or acquiring the processing capabilities needed to transform inputs into outputs, and (3) delivered prices paid for inputs. Internal efficiency may depend on the likes of production technology and volume; the costs of processing capabilities may depend on whether the capabilities were developed internally or purchased from an external vendor who is in a strong bargaining position; and the delivered price of inputs is apt to depend on the bargaining power of suppliers (Porter 1980; Barney 1997).

Further Determinants of Profitability

The resource-based view depicts a product's profit potential as the sum of two components: a normal profit, which is tantamount to the return efficient firms earn in perfectly competitive markets, and economic rent, which is a profit premium that stems from scarcity. Pertinent rents can be categorized as monopoly or Ricardian rents (Peteraf 1993).

Monopoly Rents

Monopoly rents stem from shortages of competing sellers and deliberately created shortages of outputs (Teece, Pisano, and Shuen 1997). A firm acting independently can exact monopoly rents if its outputs engender positive CV-cost differentials and it faces so little competition that it has substantial control over the prices that prevail in the focal product market or product-market segment. Rather than dictate prices, it may restrict output quantities and count on demand to drive prices upward. Nintendo, for example, was able to charge very high prices and earn substantial profit premiums by using differentiation to dominate a segment of the video game market and deliberately limiting the supply of cartridges (Brandenburger and Nalebuff 1995). Sometimes, a group of firms can exact monopoly rents by colluding.

Members of oil cartels, for instance, collude routinely and explicitly to fix prices or limit oil production. Explicit collusion usually is illegal in the U.S.A.; however, tacit collusion, which engenders undeclared accords, is legal and widespread in American oligopolies (Scherer and Ross 1990; Baye 2000).

Ricardian Rents

Unlike monopoly rents, Ricardian rents stem from output shortages that are traceable to natural permanent or temporary scarcities of R&Cs (Peteraf 1993). To earn Ricardian rents, a firm's outputs must promise CV that exceeds their costs. Further, they must not be readily imitable or replaceable with substitutes because at least one of the R&Cs needed to make imitations or substitutes is scarce and not readily imitable or replaceable with substitutes. For example, office space in Manhattan garners Ricardian rents because it is scarce; moreover, it is scarce largely because land in Manhattan is scarce, inimitable, and resistant to substitution.

Appropriable Value

From a resource based view, creating CV is necessary, but not sufficient to garner profits. For example, were a firm to invent a cure for cancer, it would create immense CV. Nevertheless, its financial reward would not be secure if an essential ingredient had to be acquired from one particular source or if its invention could be imitated legally with ease. When scarce ingredients, skills, or other factors must be purchased, suppliers may raise their prices and, thus, appropriate most of the value created. And when a product is highly susceptible to imitation or substitution, incumbents face two profit suppressing options: discourage poachers by pricing the product so low that profit margins are unattractive, or suffer the consequences of intensified competition as imitators or substitutors enter the fray (Porter 1980).

Additional Observations About Imitation and Substitution

In one sense, whether a high degree of product imitability is good or bad depends on whether the focal company is a pacesetter trying to protect an advantage or a challenger striving to make inroads. But in another sense, a high degree of product imitability is categorically undesirable because it tends to depress collective profit premiums.

Often, it is better to focus broadly on the imitability of strategies or systems – including the means whereby products are promoted and distributed – than narrowly on the imitability of goods or services. However, regardless of whether strategies, systems, or products are scrutinized, imitability affects profit potential and the sustainability of competitive advantages. Although imitators may help build markets (Brandenburger and Nalebuff 1995, 1996), imitations and substitutes usually pose threats to profitability eventually

because, in effect, they shift bargaining power from sellers to buyers.

Substitutes can be found for almost any product, but the performance or price gap between the referent and the best replacement may be vast. Further, A may be a poor substitute for B, even though B is an excellent substitute for A. Margarine, for example, is a much better substitute for axle grease than axle grease is for margarine. Also, not all look-alikes are acceptable substitutes. For instance, numerous airlines offer seemingly identical frequent-flyer programs, which tie free trips to miles flown. But since Delta does not accept American's mileage credits, American's credits are not a satisfactory substitute for Delta's. Rather than erode profit margins, as genuine substitutes tend to do, frequent flier programs create switching costs that shift some bargaining power from passengers to carriers. Consequently, carriers may increase prices gradually without inciting mass customer defections (Brandenburger and Nalebuff 1995, 1996).

RESOURCE-BASED VIS-À-VIS CONVENTIONAL SWOT ANALYSIS

From a resource-based view strategic implications determine strategic significance. Therefore, identifying significant SWOTs and deriving their strategic implications are interactive, rather than sequential, tasks. Further, strengths and weaknesses commonly define and are defined by opportunities and threats. Hence, the importance and status (favorable or unfavorable) of many factors that comprise a business' internal and external domains are contextually determined and far from apparent at first glance (Moore 1999). In view of these complexities, which are slighted by typical SWOT guidelines, resource-based SWOT analysis undertakes categorizing particulars as SWOTs only after the focal business' defensive and offensive contexts have been scrutinized carefully. Defensive and offensive analyses afford insights into the prospects and means of achieving two generic strategic objectives: (1) hang onto claimed product-market turf and the profit potential it affords; and (2) claim additional profitable turf.

Defensive analysis probes the vulnerability of extant ventures and economic rents by examining forces, such as technological advances and imitability, that may affect a product's CV-cost differential and a business' competitive position. Potential effects on CV are assessed largely by applying buyer behavior theory and insights from studies of technology diffusion. Potential effects on costs are examined within both noncompetitive and competitive contexts. Noncompetitive cost analysis centers on the impact of such forces as scale, scope, and experience, which can affect cost even in the absence of competition. Competitive cost analysis, in contrast, probes the sustainability of the focal business' or its competitors' cost advantages mainly by assessing imitability. Competitive defensive analysis also delves into the sustain-

ability of the focal business' and its competitors' differentiation advantages. Examining forces that affect a product's CV-cost differential and competitive position from a defensive perspective facilitates identifying and assessing threats, conceiving countermeasures, discovering weaknesses that exacerbate threats, and recognizing strengths that mitigate threats.

Offensive analysis probes apparent pioneering and poaching opportunities. Assessing pioneering opportunities entails evaluating the prospect of securing virgin product-market turf by creating CV that exceeds cost; assessing poaching opportunities requires identifying incumbents' vulnerabilities. Examining forces that affect a product's CV-cost differential and competitive position from an offensive vantage point facilitates identifying promising expansion paths.

Arguably, the following discussions of defensive and offensive analysis comprise an annotated checklist. However, vis-à-vis conventional SWOT checklists, the proposed approach to SWOT analysis promotes more focused, rigorous, and thorough probing.

DEFENSIVE ANALYSIS

Defensive analysis centers on examining R&Cs for strengths and weakness that affect an enterprise's vulnerability to various external forces capable of undermining profitability or competitive position. Ideally, defensive analyses of thriving enterprises afford actionable insights into ways of maintaining or enhancing profit potential. However, they also are useful and actionable if they reveal that profits are destined to evaporate. Useful defensive analyses of foundering businesses afford insights into the prospect of staying afloat. Ideally, they point to ways of overcoming competitive disadvantages and turning the business around. However, they may reveal that demise is inevitable.

Defensive analysis begins with depicting the focal business' internal context. Next, noncompetitive forces, which may affect CV, cost, and profitability even in the absence of competition, are identified and assessed. Thereafter, attention is directed toward competitive forces that may affect the intensity of rivalry and contestants' advantages, disadvantages, and profits.

Depicting the Internal Context

Depicting a business' internal context requires constructing CV and R&C profiles akin to those shown in Tables 4 and 5, which appear in a later section entitled "An Illustrative Resource-based SWOT Analysis." CV profiles enumerate the benefits that outputs convey or lack in view of each market segments' buying criteria. Further, they identify enhancements that would augment CV for each identified customer and situational segment (Dickson 1982). Sometimes buying

criteria and desired benefits are obvious; but at other times, marketing research is required to understand buyer behavior. R&C profiles are annotated listings of the R&Cs from which outputs, benefits, CV, and costs derive. (Refer to Tables 1 and 5.)

Analyzing Noncompetitive Forces that Affect CV

Although the forces depicted in Figure 2 may alter competitive positions, they are noncompetitive to the extent that they are capable of affecting profits even when a product or business faces no competition. As shown, several of these noncompetitive forces affect profits via CV.

Changes in Customer Perceptions

Customers' perceptions of product performance and benefits, which underlie CV, may be shaped by personal experience and many other factors, including advertising and word-of-mouth communications. Such perceptions may become more or less accurate in an objective sense and more or less favorable (Hunt 2000). Trouble looms when perceptions become increasingly accurate and less favorable. A product's CV seems especially vulnerable to perceptual correction when customers overestimate performance and objective performance information is becoming readily available.

Spontaneous and Socially Induced Changes in Needs and Preferences

Customer needs and preferences that affect a product's CV may change spontaneously or in response to governmental or other societal agents. Accordingly, wine coolers may have become popular shortly after their introduction not only because they were advertised heavily, but also because, for a time, it was "cool" to drink coolers. Later, demand for wine coolers may have waned simply because people tired of the taste; or, the product may have fallen prey to boredom and eagerness among customers to try something newer. It also may have declined in response to higher alcohol taxes, stricter drunk-driving laws, pleas from Mothers Against Drunk Driving (MADD), or health warnings. Social changes that affect CV and demand often are foreseeable; nevertheless, their timing and ultimate impact may be highly uncertain.

Technologically Induced Changes in Customer Needs and Preferences

Technological developments may affect needs and preferences directly or indirectly. Several types of technological developments and their diverse noncompetitive and competitive effects are noted in Table 2.

FIGURE 2
PERVASIVE NONCOMPETITIVE FORCES THAT AFFECT PROFITABILITY

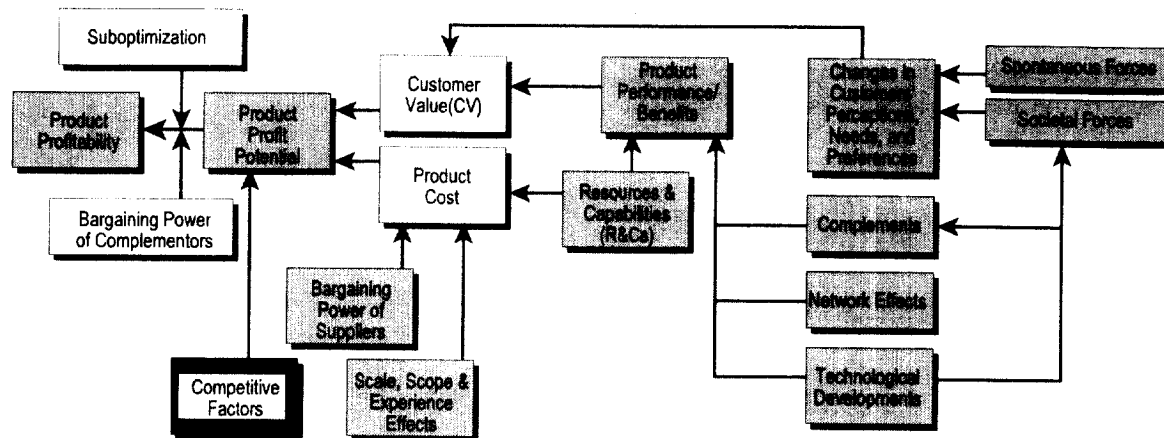


TABLE 2
POTENTIAL EFFECTS OF TECHNOLOGICAL DEVELOPMENTS

Technological advances merit particular scrutiny. They may . . .

- *engender direct substitutes for end-products* – e.g., digital watches have nearly replaced mechanical watches
- *reduce needs* – e.g., PCs and word processing virtually eliminated the need for correction fluid
- *catalyze societal changes that affect life styles and shopping patterns* – e.g., in-home electricity, household refrigerators, and affordable automobiles combined to render supermarkets feasible and better suited than corner grocery stores to meet consumers' needs
- *produce complements that change the performance of the referent* – e.g., numerous software improvements have enhanced PC performance
- *engender complements that impose higher performance standards on the referent* – e.g., new software often requires more powerful hardware
- *spawn environments that lift constraints* – e.g., transportation and communications systems expanded geographic market bounds, thereby, putting further scale economies within reach
- *alter cost structures* – e.g., the Windows operating system magnified applications software development costs and risks; electric-arc technology lowered the minimum efficient scale (MES) in the steel industry; and as an advertising medium, television increased MES in the beer business
- *create substitutes for industrial processes and products that enable their users to enhance CV, reduce costs, or compete more effectively* – e.g., electric-arc furnaces enabled poachers to challenge much larger incumbents committed to older processes; new media are making pinpoint target marketing increasingly feasible; and advances in robotics and modular construction facilitate mass customization, which enables firms to enhance CV and reduce costs without having to make highly standardized “one-size-fits-all” products

Complements

In general, complements may change or limit the referent product's CV by altering performance criteria, reducing needs, changing combined costs, performing poorly, or being unavailable or scarce. For example, miniaturization in computers altered criteria for evaluating disk drives: It diminished the CV of physically large disk drives and enhanced the CV of small drives (Christensen 1997). Further, the need for correction fluid nearly vanished as PCs displaced typewriters; the CV conveyed by fuel guzzling automobiles tends to vary inversely with gasoline prices; early Betamax video tapes were too short, which limited the CV of Betamax recorders (Rosenbloom and Cusumano 1987); and sales of Apple's Macintosh computer languished until ample complementary software became available (Cringely 1993).

Networks

The CV conveyed by telephones and fax machines, for example, was minimal until substantial user networks emerge (Arthur 1996; Clark and Chatterjee 1999).

Technological Product Improvements

Technological developments may affect CV by changing customer requirements. However, as shown in Figure 2, they also may affect CV by improving product performance.

Analyzing Noncompetitive Forces That Affect Cost

Some of the noncompetitive factors shown in Figure 2 can affect profitability via cost.

Product Improvements

Product improvements may increase or decrease costs. For instance, hardwood furniture costs more to make than the particleboard variety. However, quality improvements often reduce customer defections and overall costs by reducing rework and replacement costs (Crosby 1980; Gale 1994).

Scale, Scope, and Experience Effects

Scale effects afford economies to the extent that the average delivered cost per unit of a particular product declines as output volume increases (Baye 2000). Scope effects reduce incremental costs and average costs by spreading fixed or sunk costs across multiple products (Goldhar and Jelinek 1983; Gould and Campbell 1998; Baye 2000). Experience effects are equated mostly with cost savings derived from learning-by-doing. However, experience also may enhance product quality. Each unit of production affords an opportunity to learn and gain experience (Day and Montgomery 1983).

Process Innovations

Just-in-time (JIT) inventory management, for example, may directly reduce inventory carrying costs. Other process innovations may reduce manufacturing, packaging, distribution, or promotion costs. However, process technologies that have the potential to reduce costs are unlikely to do so significantly when they must be acquired from external developers who have the bargaining power to appropriate most of the savings. In a similar vein, new technologies that augment CV may be priced so high that their use does not improve profitability.

Complex Indirect Effects

Railroads and the Internet exemplify technologies that reduced some manufacturing costs indirectly. They did so by expanding the geographic domains firms can serve, which put further scale economies within the reaches of some firms.

Bargaining Power of Suppliers

A product's CV-cost differential may be vulnerable because, sooner or later, some critical resources are used up (e.g., raw materials), expire (e.g., patents and most contracts), or leave the organization (e.g., people). Effective replacements may be more expensive or unavailable, which may cause CV to deteriorate and/or costs to rise.

Analyzing Additional Noncompetitive Forces

Suboptimization

No firm can hope to squeeze every penny of profit potential from its R&Cs (Ghemawat 1991). However, severe suboptimization, which drives actual profits far below potential levels,

constitutes mismanagement. For instance, Schlitz was once America's favorite beer. But in the mid-1970s, misguided cost cutting intended to enhance profits affected product quality and marketing effectiveness adversely and, thus, made Schlitz easy prey for competitors (Neher 1982; Aaker 1991). More recently, "Chainsaw" Al Dunlap's myopic cost cutting nearly destroyed the Sunbeam Corporation (Byrne 1999).

Since calculated risks must be taken, not all disappointing results are attributable to bad management. Moreover, some seemingly unprofitable ventures create valuable options or stepping stones (Barwise, March, and Wensley 1989; Amram and Kulatilaka 1999). For instance, Iomega's Bernoulli box, a mass-storage device for PCs, barely succeeded. But it gave Iomega the option to continue working on mass-storage devices and paved the way for its immensely successful Zip and Jaz drives.

The Power of Complementors

The CV created by advances in one product often is contingent on advances in another. For instance, when Intel introduced its revolutionary 80386 microprocessor in 1985, the company's main complementor, Microsoft (MS), had not developed an operating system capable of using that chip's most significant enhancements. The lack of such an operating system limited the new chip's CV and sales (Botticelli, Collis, and Pisano 1997). Intel might have benefitted from offering or conceding financial incentives that would have spurred MS to expedite developing the needed software.

When two products are complements, the CV they afford jointly includes a synergetic differential equal to the amount by which the CV they afford as a system exceeds the sum of the CV they afford independently. How that differential is split between a pair of complementary products is apt to depend on scarcity: If one half of the dyad is readily available from numerous sources while the other half is scarce, then the provider of the scarce component is in a position to set prices high enough to appropriate most of the synergetic differential (Brandenburger and Nalebuff 1995, 1996; Brandenburger and Stuart 1996).

Analyzing Fundamental Competitive Forces

Many factors that can affect a product's CV-cost differential also can affect its relative CV/cost ratio – i.e., its CV/cost ratio vis-à-vis the CV/cost ratios of competing offerings. Indeed, factors that can affect profitability in noncompetitive contexts may affect profitability even more in competitive markets. For instance, railways created mass markets, which extended new opportunities to realize cost-reducing scale economies. However, since competing firms generally were not equally able or willing to seize these opportunities, railways altered cost structures, profit margins, and competitive positions among contestants.

Defensive competitive analysis requires looking at other firms as potential aggressors, contemplating how they might attack, and pondering whether their attacks can be repelled. It centers on assessing disadvantages (i.e., rivals' advantages), which render a business vulnerable, and the sustainability of advantages, which afford varying degrees of protection from poachers. Whether any contestant can sustain an advantage depends largely on the extent to which underlying R&Cs, or satisfactory substitutes, are identifiable, accessible, and exploitable.

R&C Identification

Many success formulas are complex and ambiguous; hence, aspiring imitators often find tracing pacesetters' profit premiums to specific R&Cs difficult and error prone (Lippman and Rumelt 1982). Rather than stem from a few transparent elements, such as patents or enviable supply contracts, competitive advantages and profit premiums commonly flow from myriad success cofactors that, like the pieces of an intricate mosaic, must be assembled very skillfully to yield exceptional results. Often, they are rewards for performing numerous nearly imperceptible tasks unusually well (McInerney and White 2000).

R&C Access

A product's competitive vulnerability is reduced by the extent to which prospective challengers lack expeditious and economical access to R&Cs needed to make imitations or substitutes that afford satisfactory or better CV and can be offered at competitive prices (Ghemawat 1986). New entrants, for example, often incur competitive disadvantages because they cannot sport a prestigious brand name and do not possess the distribution and communications capabilities needed to reach customers effectively and efficiently. These disadvantages limit their sales volume and preclude them from quickly replicating the scale and experience economies enjoyed by incumbents.

Latecomers often find that path dependency – i.e., the effect that a firm's past has on its future – makes catching up quickly impossible or very costly (Dierickx and Cool 1989; Peteraf 1993). Hence, despite having learned many lessons from Wal-Mart, Kmart still cannot match Wal-Mart's performance because it takes time to perfect requisite systems and operating routines, develop comparable vendor and employee bonds, and turn an image liability into an asset. While some path dependencies favor incumbents, others do not. For instance, past successes and organizational culture often render executives blind to needed changes (Valentin 1994; Christensen 1997). Furthermore, challengers sometimes possess scarce R&Cs that abound with unrealized potential for gaining immediate advantages. IBM, for example, entered the PC market late, but soon dominated it largely by capitalizing on its reputation, financial strength, and corporate connections.

R&C Exploitation

Sometimes, imitation is readily possible, yet predictably unprofitable. For that reason, few companies have dared challenge Microsoft head-on in the market for computer operating systems, and Kmart elected to bypass many small towns already served by Wal-Mart. Poor economic prospects usually are a deterrent to imitation; however, some poachers are too imperceptive or reckless to be deterred. Before they fail, they may decimate incumbents' profits.

Analyzing Dynamic Competitive Forces

The strategic landscape changes continually in ways that favor some contestants at the expense of others. In particular, societal values change, laws change, firms and customers learn, markets grow, and technological advances create new possibilities and cost structures. Whether the focal enterprise is a prospering incumbent or a hungry challenger, defensive analysis must probe the potential effects of various dynamic forces on competitive position. The following paragraphs delineate several important considerations.

Maintenance and Expansion Costs

Some resource advantages may be lost when depleted assets must be replaced. Or they may be lost when the amount of a particular resource must be increased to support growth, which often is a defensive imperative rather than an offensive option (Teece, Pisano, and Shuen 1997). The needed resources may be unavailable or may be available only at prices no lower than those paid by competitors.

Diminishing Comparative Scale, Scope, and Experience Advantages

Scale, scope, and experience effects commonly enhance efficiency. However, incremental scale effects usually diminish as volume increases and eventually become negligible. Market-share leaders, therefore, may retain their shares, yet lose advantages as markets grow and volume increases. Scale economies usually operate at various systemic levels, such as the local, regional, national, and global levels. Accordingly, small firms that are efficient at the local level may become relatively inefficient when competitors go national or global.

Scope effects also tend to have limits. For instance, on average, it may be cheaper to sell two product lines than one. But it may not be significantly cheaper to sell 11 product lines than 10; and effectiveness will suffer when sales representatives are given too many lines to sell. However, effectiveness will not diminish from sharing knowledge or a brand name.

Incremental gains from experience diminish because the learning opportunity presented by each incremental unit of

output diminishes. At some point, incremental learning becomes negligible, and experience gaps among firms become insignificant. Experience gaps also tend to narrow over time because knowledge gained from experience tends to diffuse among firms (Day and Montgomery 1983).

Market Growth

While markets are too small to sustain more than one contestant, prospective challengers may be deterred from entering them. However, as small markets grow, they are likely to attract new entrants. Mass merchandisers operating in small growing heterogeneous markets sometimes are easy prey for more focused target marketers (Dickson and Ginter 1987).

Differential Technological Potential

Some new technologies and the substitutes they spawn exhibit such superior performance/cost attributes that they quickly displace mature referents. Thus, digital consumer watches supplanted their mechanical predecessors almost overnight. However, many products based on new technologies have little appeal initially and, thus, may be dismissed prematurely by market leaders using older technologies. Myopic incumbents frequently overlook that embryonic technologies often have much more potential for improvement than their mature counterparts and, therefore, will eventually engender superior performance/cost ratios. Today's printed newspaper, for instance, is still the most cost-effective medium for many types of local advertising. But dramatic technological changes are on the horizon – changes that threaten the existence of printed newspapers because they threaten the printed newspaper's relative cost-effectiveness as an advertising medium.

Advances in Process Technologies

New process technologies commonly affect entrenched incumbents and challengers differently and, therefore, tend to alter competitive positions. In the steel industry, for example, electric-arc technology has lowered minimum efficient scale (MES), the point at which further capacity increases no longer reduce average cost significantly (Scherer and Ross 1990). Moreover, it has attracted sly poachers who continue to nibble away at the market shares of incumbents wed to older technology. The electric-arc furnace could produce only low-grade steel at first; consequently, incumbents misjudged its potential (Christensen 1997).

In the beer industry, new canning and bottling techniques introduced after World War II raised fixed packaging costs, but lowered average costs in large-scale operations (Ghemawat 1987). Moreover, television gave the beer industry its most effective advertising medium. Both advances raised MES, advantaged large financially strong brewers, and spawned consolidation.

Advances in Peripheral Technologies

As noted in Table 2, technological developments can affect products and businesses circuitously. For instance, advances in one product may alter the performance criteria whereby complements are judged. Furthermore, numerous technological advances sometimes coalesce to create environments wherein simple extensions of conventional technologies can thrive. For example, in-home electricity, electric refrigeration, and automobiles combined to alter grocery shopping preferences, which precipitated the rise of supermarkets and the demise of corner grocery stores.

OFFENSIVE ANALYSIS

Offensive analysis has two phases: (1) search, and (2) evaluation. Search probes ways of using R&Cs to pioneer new product markets or wrest market share from incumbents. Evaluation entails scrutinizing apparent opportunities revealed during the search phase. Offensive analysis is precarious because determining where stretching R&Cs ends and wishful thinking begins is difficult (Hamel and Prahalad 1993).

Search

Opportunities may be spotted via outside-in or inside-out analysis (Day 1992). Both approaches are more intuitive than algorithmic; and both approaches often identify expansion opportunities that call for replicating proven business models in new settings. Unfortunately, repeating previous successes in new environments often is more difficult than anticipated because many firms do not fully understand the contexts of past triumphs (Collis and Montgomery 1995; Teece, Pisano, and Shuen 1997).

The outside-in approach reflects conventional marketing wisdom embodied in the maxim "Find needs, then fill them" (Valentin 1996). It begins with a search for market voids – i.e., customers or needs not satisfied by extant offerings. Subsequently, attention turns toward identifying and, if necessary, obtaining R&Cs required to fill seemingly attractive voids.

The inside-out approach follows more directly from the resource-based view (Grant 1991; Teece, Pisano, and Shuen 1997). It proceeds with inventorying seemingly distinctive R&Cs and then requires scouring the external environment for situations amenable to leveraging R&Cs advantageously, synergetically, and profitably (Moore 1999). From an inside-out perspective, opportunities exist wherever a firm's R&Cs can be deployed to realize significant advantages in emerging or established product markets without incurring insurmountable disadvantages. Further, inside-out analysis probes creating markets for products that can be made with the company's R&Cs. Sony, for example, created a market for its Walkman after marketing researchers failed to locate one (Morita 1986).

Resource-based opportunity analysis also probes into developing scarce R&Cs that may be leveraged in the future. Honda, for instance, developed extraordinary core competencies in designing and producing gasoline engines (used originally in small electricity generators), which it gradually parleyed into strong worldwide positions in motorcycles and automobiles (Hamel and Prahalad 1989; Prahalad and Hamel 1990).

Marketers long derided the inside-out approach, deeming it production-oriented. Fortunately, astute executives have learned that firms sometimes are well-advised to lead rather than follow the market, especially when their products are too bold to be appreciated immediately by customers (Workman 1993a, 1993b; Moore 1999). They also have learned that outside-in and inside-out analysis afford complementary viewpoints, not right and wrong perspectives (Johansson and Nonaka 1996).

Evaluation

Pursuing opportunities may entail pioneering virgin turf or poaching in markets already staked out by other contestants. Evaluating a pioneering venture entails assessing the prospect of creating CV that exceeds cost and, then, analyzing the venture's vulnerability to future challengers who may attack with imitations or substitutes. Evaluating a poaching venture requires assessing incumbents' vulnerabilities.

Procedurally, then, defensive and offensive analysis have much in common. However, while defensive analysis is applied to extant businesses, offensive analysis is focused on contemplated ventures. Moreover when applied to contemplated ventures that entail poaching, it is aimed largely toward locating competitors' weaknesses and plotting fitting offensives.

AN ILLUSTRATIVE RESOURCE-BASED SWOT ANALYSIS

The following resource-based SWOT analysis illustrates the advocated approach and attendant concepts of defensive and offensive assessment, which were developed in the preceding sections and are summarized in Table 3.

Scenario

In 1987, Alan Hall was CEO of NetLine, a small struggling software company. He attributed NetLine's troubles not to product performance, but to promotion and distribution problems. Specifically, he found that manufacturers' reps and resellers seldom gave NetLine's goods the attention they needed to succeed. Moreover, advertising, telemarketing, trade show exhibits, and demonstrations sent to resellers on CD-ROMs had little effect. What NetLine needed, Mr. Hall surmised, was its own missionary sales force. Accordingly, he trained 25 temporary employees to market NetLine's products

TABLE 3
SYNOPSIS OF RESOURCE-BASED SWOT ANALYSIS

Defensive Assessment

- Central objective: Identify combinations of internal particulars and external forces that render the focal business' profitability or competitive position vulnerable. The internal and external elements of such adverse combinations are weaknesses and threats, respectively. Internal factors that mitigate threats are defensive strengths.
- Facilitating analyses:
 - *Customer value profiling* entails (1) enumerating key benefits that outputs convey or lack in view of each market segments' buying criteria, (2) identifying enhancements that would augment CV for each identified customer and situational segment, and (3) identifying threats to CV from changing needs and technologies. Refer to Figure 2 for forces that can affect CV and to Table 4 for an illustrative customer value profile.
 - *Resources and capabilities profiling* entails constructing an annotated list of the R&Cs from which outputs, benefits, CV, and costs derive. Annotations should address instrumentality in creating CV, scarcity, and imitability. Refer to Table 1 for an enumeration of R&C categories and to Table 5 for an illustrative R&C profile. Also, refer to Figure 2 for noncompetitive forces that can affect cost and profitability and to the sections entitled "Analyzing Fundamental Competitive Forces" and "Analyzing Dynamic Competitive Forces" for details.

Offensive Assessment

- Central objective: Identify promising pioneering or poaching opportunities. R&Cs that facilitate realizing opportunities are strengths, while internal obstacles to realizing opportunities are weaknesses.
- Facilitating analyses:
 - Search for *pioneering opportunities* by looking for unserved needs, for over- or under-served customer groups, and for ways of leveraging R&Cs. Assess the viability of a pioneering venture by estimating the CV-cost differential and then assessing the venture's vulnerability.
 - Identify *poaching opportunities* by assessing incumbents' vulnerabilities.

to resellers, such as CompUSA. He chose people who possessed both excellent computer and sales skills and lived within the areas they would cover.

In three months, NetLine's reps visited more than 3,000 stores throughout the U.S.A., spending about 90 minutes at each outlet demonstrating products to sales personnel, answering questions, and offering marketing advice. Alan Hall was so encouraged by the way resellers responded to NetLine's troops that, in the fall of 1987, he founded TempReps (TR), an independent company dedicated to marketing clients' computer products. Early clients included numerous startups

TABLE 4
TEMPREPS CUSTOMER VALUE PROFILE

Benefits:

- TR promotes clients' computer products effectively to computer stores by demonstrating them to sales personnel, answering questions, and offering marketing advice. Alternate means of promoting computer products, such as advertising, tend to be less effective.
- TR's reputation for excellence reduces clients' perceived risk.
- Hiring TR in lieu of hiring and training temporary personnel affords clients flexibility, convenience, and economy.
- To satisfy clients, TR must refrain from demonstrating competing products during a campaign.

Threats to CV from changing needs and technologies:

- Increasingly, "new" software packages will be upgrades of familiar programs. Vendors and software developers are apt to deem demonstrations of such products unnecessary.
- Dominant software products are emerging. This trend implies diminishing rivalry and diminishing demand for demonstrating software.
- Direct sales may reduce the number of stores that stock computer hardware and software, which would diminish opportunities for providing in-store demonstrations.

TABLE 5
TEMPREPS' RESOURCES & CAPABILITIES (R&Cs) PROFILE

- **Financial** – The business is not capital intensive; therefore, financial resources do not pose formidable entry barriers.
- **Physical:**
 - TR's effective and efficient CV delivery technology (e.g., well-trained reps living in the territories they cover) is vital, but an unlikely source of advantage because it can be imitated easily.
 - Scale differences are unlikely sources of advantages or disadvantages because all legitimate contenders must cover the USA.
 - TR's physical capacity is limited to the point that not all prospective customers can be served. Since competing products cannot be demonstrated during a campaign, adding more slots will not help TR serve more customers. Inevitably, even upstarts without established reputations will have opportunities to poach and build satisfactory reputations by serving customers that TR must turn down.
- **Legal and Intellectual:**
 - TR's business model is ingenious. But it also is simple and transparent. Moreover, it cannot be copyrighted and contains no exceedingly scarce ingredients. Therefore, it is readily imitable and an unlikely source of sustainable advantage or profit premiums.
 - Other intellectual capital includes sales and demonstration techniques, which cannot be copyrighted or patented. Restrictions intended to prevent former TR employees from competing against TR seem ineffective.
- **Human:**
 - CEO Alan Hall's future value lies in his managerial and leadership skills, which will be needed to run TR. Such skills are important, but seem only moderately scarce. Unlike Alan Hall, imitators need not invent a new business model; they can easily copy TR's. To challenge TR, they do not need a CEO as innovative or visionary as Mr. Hall. A persistent poacher with entrepreneurial drive, people skills, and a keen eye on costs and the balance sheet suffices. However, taking the business beyond its current bounds will require Mr. Hall's rare innovative mind and entrepreneurial zeal.
 - Well-qualified representatives are vital, but only moderately scarce and, therefore, are unlikely sources of competitive advantage.
 - Employees are mobile and, thus, could start or join competing companies, unless enforceable employment agreements prevent them from doing so. Prospective clients may perceive little risk in hiring a TR competitor staffed by former TR employees.
- **Organizational resources** – TR's routines and working relationships seem critical, but they also seem straightforward. Not every challenger will be able to develop them, but some should be expected to succeed within a few months of entering the business. Experience effects seem minimal after a brief startup period.
- **Informational resources** – Much pertinent information is equally available to all contestants. However, contestants may not be equally adept at converting accessible information (especially information gained from serving clients) into actionable knowledge. In view of Mr. Hall's talents, TR may succeed in using information to tailor services to clients' needs and thereby stay ahead of competitors.
- **Relational**
 - TR has developed excellent relationships with clients and computer stores. TR enjoys an advantage over prospective imitators because developing good relationships takes time and computer stores can accommodate only a limited number of demonstrations. As the innovator and first-mover, TR seized opportunities to bond with makers and resellers of computer products. TR delivered what it promised and, thus, established an excellent reputation and a client-access advantage.
 - TR's excellent client relationships would evaporate if TR were to demonstrate competing products during a campaign. Some clients would strongly prefer that TR not demonstrate competitors' products at any time; they are most apt to develop their own demonstration capabilities.
 - Clients' switching costs are low.
- **Reputational** – TR's clients cannot risk ineffective marketing and, therefore, are willing to pay premium prices to reduce risk, but only if necessary. They are likely to choose a TR competitor only if (a) that competitor has developed a reputation for excellence or (b) TR has no slots available, which is bound to happen. After competitors narrow the reputation gap, which some are bound to do, TR will have difficulty distinguishing itself. Price competition will intensify, and profit margins will diminish. Doing many little things a little better than competitors (e.g., via superior execution and applying knowledge gained from serving clients) will be the key to retaining prime clients and slowing profit erosion.

TABLE 6
EXCERPTS FROM AN ILLUSTRATIVE SWOT ANALYSIS REPORT

TEMPREPS SWOT ANALYSIS

TempReps (TR) demonstrates computer software and hardware in retail stores, such as CompUSA, for clients that include Microsoft, Lotus, Corel . . . It pioneered this industry . . . The following analysis addresses TR's strengths and weaknesses and the opportunities and threats found in its environment.

STRENGTHS

TR's reputation, which is its main strength and main source of competitive advantage, creates value for clients by reducing perceived risk. However, the reputation gap between competitors and TR is destined to narrow dramatically because a few competitors are bound to gain access to clients and demonstrate their effectiveness . . . Alan Hall's genius and energy may be keys to slowing the erosion of advantages and to maintaining the lead in advancing solutions to clients' problems . . . Hall's corps of representatives operates very effectively and efficiently, but can be replicated easily. Consequently, . . .

WEAKNESSES

TR's pivotal weakness is that it cannot serve all clients who desire its services. If TR were to represent all prospective clients, it would have to represent competing products at the same time, which few clients would tolerate . . . leaves a window of opportunity open for poachers . . . Former TR employees who understand the business and have access to TR's clients are likely sources of competition. Clauses in their TR employment contracts may slow them down, but . . . Other likely sources of competition . . .

OPPORTUNITIES

TR may be able to leverage its reputation and knowledge by promoting to corporate and institutional information systems directors, entering new geographic areas (e.g., Europe, Asia, South America), or applying the TR concept to different products (e.g., electronic entertainment products) . . . Reconnaissance visits to several countries around the world would shed light on the extent to which culture, infrastructure, and other factors limit overseas opportunities . . . Finding products that need demonstrating as much as computer products may be difficult; nevertheless, most makers of innovative electronic consumer products could benefit from TR's services . . .

THREATS

The most immediate threat stems from TR's pivotal weakness, not being able to serve all clients who seek its services. Consequently, competitors are bound to emerge and narrow the reputation gap. The question is not whether, but when, much more intensive price competition will emerge and what can be done to forestall it . . . Further threats stem from direct retailing . . .

STRATEGIC IMPLICATIONS

. . . cement relationships with clients . . . try to leverage the TR concept by applying it to . . . realize that in-person in-store software demonstrations will not be needed indefinitely; hence, at some point, abandoning this particular business (and reinvesting elsewhere) may be more advisable than trying to maintain it . . .

and several notables, such as Ashton-Tate, Lotus, and Hewlett-Packard. TR operated as follows: The company organized four national campaigns per year and offered four product slots per campaign. Thus, TR could represent as many as four or as few as one client per campaign, depending on whether clients bought multiple slots. Clients generally insisted that TR not represent competing products during a campaign.

Each campaign began with tutorials conducted near TR's headquarters in Utah – clients were the teachers, TR's reps were the students. After mastering clients' products, reps returned to their territories and visited resellers for the next two months. Since reps lived in their territories, traveling and lodging expenses were minimized. Even large clients often found contracting with TR cheaper than hiring additional permanent or temporary sales personnel. Generally, both clients and resellers were very pleased with TR's work.

Analysis

Tables and figures shown in this section stem from a handout used to introduce marketing strategy students to resource-based SWOT analysis. The handout was developed in the early 1990s and reflects particulars as they appeared at the time. Prognosticators had not anticipated the Internet's impact

(Moore 1999); therefore, Tables 4 and 6 understate the effects that e-commerce would have on "bricks-and-mortar" retailers and, in turn, on TR. Tables 4 and 5, respectively, comprise CV and R&C profiles constructed at the beginning of the SWOT analysis process. They are worksheets that point mainly to critical strengths, weaknesses, and threats. To a lesser degree, they also allude to opportunities.

Reputation appeared to be TR's main strength and principal source of competitive advantage. But the TR concept seemed highly imitable, and the reputation gap between TR and challengers seemed destined to narrow along with profit premiums. Further, TR's long-term prospects seemed threatened not only by competition, but also by trends that might diminish the need for extensive in-store demonstrations. Excerpts from the TR SWOT analysis report are shown in Table 6. Noted opportunities were derived by pondering how R&Cs might be leveraged; they were evaluated by considering the prospects of gaining and sustaining competitive advantages and the severity of disadvantages.

The initial search for opportunities consisted mostly of brainstorming and, thus, was akin to conventional inside-out searches. In this case, offensive analysis benefitted much less than defensive analysis from applying resource-based criteria.

However, the very analysis that forewarned TR of its vulnerabilities could have been conducted by poachers and used to wrest market share from TR.

Epilogue

By and large, TR's fortunes materialized along the lines foreseen in the early 1990s: Competitors emerged from the ranks of former employees and gained footholds because TR could serve only a limited number of clients. Thereafter, profit margins eroded. However, under Alan Hall's leadership, TR evolved into MarketStar, a prospering international provider of integrated marketing solutions serving clients who prefer outsourcing some or all of their marketing activities. MarketStar's menu includes merchandising, online customer service, planning, and market research.

MANAGERIAL IMPLICATIONS

"[C]ompetition," Hamel and Prahalad (1993, p. 77) observed, "is not just product versus product, company versus company . . . It is mind-set versus mind-set, managerial frame versus managerial frame." Like themes, which pervade the business literature, suggest that subtle insights often underlie immense

performance differences (e.g., Senge 1990; Teece, Pisano, and Shuen 1997; Moore 1999). A conventional SWOT analysis of TR, for example, could easily have underestimated TR's vulnerability and overvalued accomplishments (e.g., market leadership) and highly imitable capabilities (e.g., TR's service delivery system).

Potentially, the guide to SWOT analysis advanced in this article engenders better performance than prevalent conventions because it is enriched by theory, particularly the resource-based view of the firm, and, thus, promotes more thorough, systemic, and purposive inquiry. Accordingly, results potentially shed more light on a business' vulnerability, actions that mitigate vulnerability, and opportunities to claim additional fertile product-market turf. Simple classroom experiments, which educators and corporate trainers can easily replicate, have affirmed that students who conduct SWOT analyses from the advocated resource-based view consistently produce more perceptive, focused, tenable, and concise reports than students who conduct SWOT analyses extemporaneously or by referring to conventional checklists. If, indeed, greater strategic insight leads to better performance, then the advocated approach will prove superior not only in classrooms, but also in practice.

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