Welcome to the final session on strategic case writing. In this session, we will examine a product-positioning map and an example of a projected income statement for the Litten Company. We will also look at the Case instructions to review final components you need to complete for the final submission of your Strategic Case project. Hopefully, you've now taken any suggestions from prior input on your case from Phase 2 and implemented those suggestions in your paper. Also, you should have already added a product-positioning map from your Module 8 work and be compiling data for the projected income statement that you must include in your final case. This final phase is critical to completing all the requirements for a sound strategic case, and you will need to manage your time well this week to allow for final editing, packaging, and refinement of your paper before submission. So, let's get started.

The product-positioning map is a tool to illustrate how your product or service compares to competitors on dimensions important to customers and your industry. A key outcome of a positioning map is the analysis and reflection on the number and size of competitors operating in your market segment. Ideally, you would try to secure one market segment where you are the sole provider. This may mean a conscious and strategic decision to change a current product, service, cost, price, or other elements to move into a
less crowded competitive space. Let’s look at one of these companies, the Menswear Store shown in your text. You will note there are two criteria selected for this exercise—the latest fashion and price. If we look at the top right quadrant, you’ll see that a company perceived as high priced and offering the latest fashion, such as Nordstrom’s, would differ significantly from the opposite quadrant, low price and everyday wear, which might be a Wal-Mart. As a strategist, this graphical insight offers tremendous advantages in terms of strategic choices, such as deciding whether to enter low income areas, or on operating decisions from where you buy stock, to, level of quality and staff selection.

**Slide 4**
**Slide title:**
Looking at Your Organization You Should:

**Slide content:**
- Select two criteria that you believe differentiate products in your industry.
- Plot your competitors using the criteria to determine their position.
- Plot your product/company.
- Examine the outcomes to see if you are in a crowded quadrant or “squatting” between two segments.
- Consider which marketing, management, and operations changes would be needed.

**Narrator:**
When you look at your organization you should:
First, select two criteria that you believe differentiate products in your industry and place one on each axis.
Second, you should plot your competitors using the criteria to determine their position.
Three, plot your product or company.
Four, examine the outcomes to see if you’re in a crowded quadrant or “squatting” between two segments.
Five, consider which marketing, management, and operations changes are needed to either strengthen a dominant position you hold in your segment, or the strategic changes you will need to make to shift your position in the appropriate direction. Make sure to provide enough details so the reader can understand how you would implement the changes, the implications for management, and the costs associated with the change in strategic position.
When you’re complete, place the product map and your strategic narrative into your paper.

**Slide 5**
**Slide title:**
Table 8-7: A Projected Income Statement and Balance Sheet for the Litten Company (in millions)

**Slide content:**

<table>
<thead>
<tr>
<th>Projected Income Statement</th>
<th>Prior Year 2012</th>
<th>Projected Year 2013</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$100</td>
<td>$150.00</td>
<td>50% increase</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>70</td>
<td>105.00</td>
<td>70% of sales</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>30</td>
<td>45.00</td>
<td></td>
</tr>
<tr>
<td>Selling Expense</td>
<td>10</td>
<td>15.00</td>
<td>10% of sales</td>
</tr>
<tr>
<td>Administrative Expense</td>
<td>5</td>
<td>7.50</td>
<td>5% of sales</td>
</tr>
<tr>
<td>Earnings Before Interest and Taxes</td>
<td>15</td>
<td>22.50</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>3</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Earnings Before Taxes</td>
<td>12</td>
<td>19.50</td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>6</td>
<td>9.75</td>
<td>50% rate</td>
</tr>
<tr>
<td>Net Income</td>
<td>6</td>
<td>9.75</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>2</td>
<td>5.00</td>
<td></td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>4</td>
<td>4.75</td>
<td></td>
</tr>
</tbody>
</table>

**Narrator:**
Now, let's discuss a projected financial statement. By now, you've recommended changes within your organization that will have revenue, cost, and cash flow implications. As a strategic consultant, your role is not only to make recommendations that will strengthen the competitive position of the firm, but to also show beforehand the expected financial results of the implementation of those changes if they are successfully executed. Sometimes, this means the first year of your implementation may actually cost more than added revenue, which is not unusual when making long-term or strategic choices. That said, we need to show that we've considered the financial implication of our changes and that we are willing to hold ourselves accountable for financial performance and projections. Most organizations look for positive results within three years of implementation, willing to invest short term but needing to move toward increased profitability by years three and forward. To that end, you should prepare a three-year projection to illustrate the anticipated performance of your organization. This can readily be accomplished using the data you have, which you can then modify for future years.

Let's look at one-year forecast for the Litten Company to help us understand the mechanics. As you can see, the first column shows current financial performance of the firm. You can capture this information from current accounting records and annual reports. The Projected Year is created by having you worked through the expected performance you believe will be achieved based on your recommendations. Let me help you in preparing this column.

First, project (and explain in your narrative) the anticipated sales growth and number you predict. If your strategy was to move into a new market or create a new product, now is the time to state the projected volume, price, and slope of the sales. By slope, you should be careful to not forecast immediate or a steady state of sales, as an implementation is likely to start slow and grow over time. Assuming steady sales of the current product, you would calculate the revenue (volume times the price) for the next year and add that to future sales if you believe current product sales are stable. Obviously, if your organization is struggling and revenue decreasing, you will need to calculate the expected or reduced revenue number and then add your new product revenue.

Costs of Goods can easily be calculated using the existing percentage of cost of goods sold and adjusting it if your strategic recommendations implemented procurement cost reductions, or if you determined a reduction in the percentage rate due to increased volume. You can use this same or similar method for the other components of the income statement as you work through the numbers, and ask yourself if your strategic decisions and recommendations have an impact on the line item you're projecting. The key issue here is that you stop and reflect on each item as it relates to your primary strategic recommendation. For instance, if you made a strategic decision to move your company's position into a lower cost provider, and you are going to achieve that by reducing administrative staff, then you will need to lower the administrative expenses and document that in your narrative on the financial projections by pointing out that your recommendation to cut the staff by 20%, for example, had a direct impact of x number of dollars on the net income. The projected income statements can be included in the paper or added as an addendum with appropriate references in the case narrative.

Slide 6
Slide title:
Steps in Preparing a Comprehensive Written Analysis

Slide content:
Step 1 Identify the firm’s existing vision, mission, objectives, and strategies.
Step 2 Develop vision and mission statements for the organization.
Step 3 Identify the organization's external opportunities and threats.
Step 4 Construct a Competitive Profile Matrix (CPM).
Step 5 Construct an External Factor Evaluation (EFE) Matrix.
Step 6 Identify the organization's internal strengths and weaknesses.
Step 7 Construct an Internal Factor Evaluation (IFE) Matrix.
Step 9  Recommend specific strategies and long-term objectives. Show how much your recommendations will cost. Clearly itemize these costs for each projected year. Compare your recommendations to actual strategies planned by the company.
Step 10 Specify how your recommendations can be implemented and what results you can expect. Prepare forecasted ratios and projected financial statements. Present a timetable or agenda for action.
Step 11 Recommend specific annual objectives and policies.
Step 12 Recommend procedures for strategy review and evaluation.

Narrator:
Now let’s look at the final components of your Strategic Case and important issues to consider.
Step 9 explains what you should place under the heading “Strategic Recommendations and Implications.” In this section you explain the key strategies you recommend, how they compare to current strategy, the cost of implementation for each, and the expected benefit (for example, market position, financial performance, or other).

Under a section labeled “Implementation” you should outline the specific steps you will take to execute the recommendations you’ve made, timelines and milestones for each (including annual objectives), and policy or management changes. You should clearly state the criteria you will use each year or quarter to determine if your strategy is meeting expectations or requires correction.

Under a section labeled “Financial Outcomes” you should discuss how each of your strategic decisions affected the income statement, and insert or reference the three-year projected income statement. Using our prior example of creating a new product, while current product sales shrink, you could state that the strategic decision to launch our new product Z, created $2,000,000 in operation revenue, and offset a reduction of $1,000,000 in lower sales with our current products. Additionally, lower costs associated with our new product increased net income by $400,000.

Slide 7
Slide title:
Executive Summary

Slide content:
• Includes:
  – Company's history
  – Current strategy
  – Recommendations
  – Key implementation components
  – Results projected

Narrator:
When you complete the Financial Outcomes, you will write a one page executive summary that captures the company's history, current strategy, your recommendations and key implementation components, and the results you projected. This will be the first page after the cover sheet of your paper and also is posted to the Discussion Board to share with your peers and reflect on their progress in strategic analysis and management. If you’ve stayed current with the exercises, you should have a sense of moving toward closure with your case. Ideally, you picked a company that you’re interested in and you might now start to think about how you can use this work to advance your career. Having learned and used these tools, you are certainly now more competent to use proven methods for analyzing strategic choices and making greater contributions to your organization or to a new company.

When you’re done, it’s a good time to congratulate yourself for all the hard work you’ve done. That said, I hope you take your Saint Leo MBA and the outcomes of this course to look forward to new horizons for your talents and service. Please make sure to review the syllabus and case instructions as well as feedback from your professor to ensure your final case represents your best work, is complete, and illustrates your ability to integrate all you’ve learned in your MBA on how to improve a company’s strategic decisions. Thank you for your effort and I wish you a successful future.
End of presentation