Stockholm School of Economics
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Master Thesis in Strategy

Comparative Study of Industry and Resource-Based Approaches to Strategy:

The case of managerial education industry in Sweden

The primary aim of our research was to compare the results derived from two different approaches to strategy analysis: industry analysis (outside-in) vs. resource-based view (inside-out). We have chosen this topic because all the previous research dealt with this issue only on theoretical level. We have however decided to compare the practical implications of the two approaches. As an instrument to conduct this comparison, we have chosen managerial education industry in Sweden to analyze industry structure, dynamics and long-term profit potential as well as to define the sources of competitive advantage.

Even when looking at this from the purely theoretical perspective we have found the interdependence of the two approaches. But after conducting the empirical study of an industry, we can state that the results of the applications of these approaches have even more in common than it was evident on the more conceptual level. We conclude that strategic analysis of the industry requires examination of both industry structure and firm's resources and capabilities, since they are complimentary tools. "In" in outside-in analysis smoothly progresses into "in" in inside-out and back, rendering the two approaches extremely interconnected.

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Outline

1. Introduction

The introduction section is aimed to present the reader with the topic overview. In this part we provide the background of the research, define its purpose and delimitations. The structure of the paper and the content of each chapter are presented in the outline.

1.1. Background

Throughout our education at Stockholm School of Economics the issue of strategic analysis has been extensively discussed in many of the courses. We have noticed that many teachers often have their own different preferences concerning which view of strategy to utilize. The most frequently used approaches by far were the industry analysis propagated most notably by Michael Porter (also known as outside-in analysis) and resource-based view introduced by Jay Barney and developed by many other scholars (inside-out approach). These methodologies have compellingly established that strategy grow out of the exploitation of industry and resource structures respectively (Regnér, 2001). However, the discussion of these methods was largely on theoretical and conceptual level. Though, it was unclear if the results of applying respective approaches provide the best understanding of the strategy dynamics. Therefore, we decided to bridge the theories and examine if the key profitability driving forces derived from the two methods are different.

We have chosen managerial education industry as a subject for our study. There were several reasons behind this decision. First of all, well-established frameworks are argued for not being as suited for service industries, as they are for manufacturing, so it was interesting to investigate the key factors lying behind the successful operations in one of the clear-cut service industries. Secondly, the industry itself has become more important in the context of rising demand for personal and professional development of companies' management, especially on the middle level. However, this industry has not received sufficient attention in scientific works recently and we have decided to fill this gap.

The recent trends in corporate structure clearly demonstrate the decline of distances between hierarchical levels. This implies a significant change in leadership style, distribution of responsibilities and level of involvement in decision-making. The result of this is that middle managers play an increasingly important role in the organization and that needs development of their appropriate skills, competencies and capabilities. According to Jonathan Byrnes, "Regardless of what high-potential initiative the CEO chooses for the company, the middle management team's performance will determine whether it is a success or failure. And if the middle management team is performing in high gear, the managers themselves will generate the right initiatives, and constantly adapt and improve them during implementation" (Byrnes, 2005).

Moreover, recent scientific studies in the area of strategic management tend to pay considerable attention to the middle management role in a company's well being. The manager's role is now not limited to control, supervision and administration, but rather strategic functions that managers perform in dynamic environment are emphasized. In other words, "managers are there to allocate resources in order to build value inside firms" (Helfat et al., 2006).

What is the structure of the industry? How competitive forces are? Which resources and capabilities are essential for companies in the industry in future? We will answer these questions with the help of thorough strategy analysis using various tools.

1.2. Purpose
The primary aim of our research is to compare the results derived from two different approaches to strategy analysis: industry analysis vs. resource-based view. The secondary purpose is to analyze industry structure, dynamics and long-term profit potential as well as define the sources of competitive advantage in managerial education. It serves as a supportive function for the primary objective.

1.3. Delimitations
We have limited our theoretical frameworks to models including Porter's five forces as the only extremely well established tool from the outside-in point of view, and a number of tools in resource-based view allowing the evaluation of companies' resources and capabilities. Among others we used Grant's gap analysis and modified VRIO framework for resources and capabilities – two of currently the most established tools in RBV (information on the exact tools used can be found in Appendixes 1 and 2).

Concerning the empirical part, the first delimitation is that the research will include only the companies providing leadership and similar education for middle management. Moreover, the scope of the analysis is narrowed down to open (as opposite to customized) programs with minimum duration of five days to exclude the small insignificant trainings. From the size point of view, we studied only the companies with more than 20 MSEK in turnover in 2005. We also exclude the companies that provide specialist education, like sales or IT professional training and language schools.

Cross industrial companies, which do not have managerial education as their core activity, are also excluded from the study. Examples of such companies might be large international companies like Learning Tree International, companies that provide services that are part of change programs like business training systems, consultancy firms that partly provide training alone or in addition to other services (Accenture, Implement, etc.), internet-based education companies (Academedia) and, finally, companies that are involved in recruitment as well, like Novare (Investor).

We find these delimitations a necessary measure in order to conduct a deeper analysis and come up with more interesting conclusions and less general findings.

1.4. Outline
Chapter 2 will present the methodological framework for our research and describe the design of our study. Theoretical part, Chapter 3 deals with theory on strategic analysis including the presentation of inside-out and outside-in perspectives. The results of our empirical study will be presented in Chapter 4 followed by their analysis in Chapter 5. In Chapter 6 we discuss the academic findings of our paper and in Chapter 7 we conclude the thesis.

2. Methodology

In this section we provide a description and motivation of the methodology used for this thesis. In particular, we provide the reader with: an explanation of terminology used throughout the paper, the design of our research, the discussion on the data collection and the evaluation of overall research quality of this paper.

2.1. Research Design

2.1.1. Research Approach – Stepwise Order

In science there are two generic approaches to research: inductive and deductive (Andersen, 1998). When using the inductive approach, the study starts with observation of phenomena followed by formulation of hypothesis grounded on the empirical findings and existing theoretical frameworks. While in deductive approach, the hypothesis is constructed on the basis of existing theory, and then researcher tests it by a study.

In this paper we use the stepwise approach to study the problem due to dual nature of the purpose. First we use the deductive approach to examine if practical applications of outside-in and inside-out approaches to strategy analysis produce the similar outcomes. Our aim is to compare the results of the two approaches and identify if they give the same ways to achieve above average returns and sustainable competitive advantage. Since we base the analysis on existing theory and study the application of these frameworks in practice, the most suitable research approach to tackle this problem will be deductive. However, in order to make this comparison, we need to conduct the analysis of the industry and the companies that constitute it. Here we use the inductive approach, as we observe the empirical phenomena and analyze it with the help of existing theories.

2.1.2. Research Method – Qualitative

We have decided to choose the qualitative research method for our thesis. The reason behind this decision is that qualitative research allows us to gain deeper knowledge of the object of our study, rather than analyze many subjects in a superficial manner (Holme and Solvang, 1997). According to Lundahl and Skärvard (1982), "a qualitative approach is preferable when data is hard to estimate or not easily communicated by short answers and builds on a relatively unstructured investigation of a small number of respondents". Since only a limited number of market actors satisfy the definition of industry, the use of quantitative method would hardly produce statistically significant results.

2.1.3. Research Strategy – Single-Case Study

The choice of research strategy depends first of all upon the form of research question, whether we require control of behavioral events and the relevance of focusing on contemporary events (Yin, 2003). He identifies five different strategies based on these factors: experiment, survey, archival analysis, history and case study. For this paper the main questions we ask are "how" and "why", since the paper is of explanatory nature and it aims to describe the industry over time. Since we do not need to manipulate the respondents' behavior, we do not pursue the experiment strategy. And the fact that we are dealing with the contemporary state of affairs, historical approach is not suitable for our study either. Therefore, we have chosen the case study as our research strategy, because it includes two important sources of evidence: direct observations of the events being studied and interviews with the persons involved in the events.

Eisenhardt (1989) identified the case study as a "research strategy that focuses on understanding the dynamics present within single settings". According to Yin (2003), a case study can have an embedded design, where a researcher conducts a multiple level analysis within a single case study. Since the purpose of our paper is two-fold, we have to proceed with our research on a multiple level. The first part of our case study has to focus on the industry level, where we apply industry analysis framework in order to identify the key success factors and sources of competitive advantage. The second part concentrates on the firm level, where analysis is built on resource-based theories. We find such research strategy appropriate, because we do not choose any single level in the case to minimize the risk of the research being biased.

The crucial condition for comparison of the two different applications of theoretical frameworks is to keep the two strategic analyses separate. The methods we used for this are described in more detail in the design of the data collection discussed later in this section.

In this paper we perform a single-case study since this is a preferable design when the case represents an extreme or unique case (Yin, 2003). The case of managerial education industry is, from our point of view, unique due to the fact that the industry itself represents a clear-cut service industry with arguably the most intangible product and has not been studied before.

As Yin argues in his book, the multiple-case study is almost always a better option than a single-case, since "the evidence of multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust" (Yin, 2003). But multiple-case study would require an in-depth analysis of several industries that we would not be able to conduct within the scope of this paper. And we designed our study as a single in-depth study of the industry, complemented by multiple firm-level case studies to overcome the downsides of a single-case study and to avoid the superficial nature of the multiple-case study.

2.1.4. Choice of Companies

In accordance with the delimitations mentioned in the introductory part of this paper, we have excluded independent consultants and most of smaller companies from our analysis as they do not satisfy the main delimitations of our research:

- Provide general education for middle management (not specialist trainings)
- Offer open programs with minimum length of five days
- Turnover of at least 20 MSEK a year

We have selected the following companies as most representative for our study: Mercuri, Lectum Lexicon, IHM Business School, IFL, Företagsuniversitetet, Sällma, Wenell, Jensen Education, Företagsekonomiska Institutet (FEI), MIL Institute, MGruppen, Vendator, Gällöfsta and Mindset. For this paper we have interviewed eight out of fourteen companies (those underlined in list). It is worth mentioning that we have approached all the companies, however six of them refused to conduct the interviews or have not reacted to our inquiries. We used secondary data for these players to compensate for the information that otherwise would have been collected during the interviews. The data that we collected on them was sufficient to identify their position in certain strategic groups.

2.2. Data Collection

Yin (2003) identifies six sources of evidence for case studies: documents, archival records, interviews, direct observations, participant-observations and physical artefacts. For the purpose of our thesis, we have used various sources of evidence in order to increase reliability and accuracy of the data.

2.2.1. Primary Data – Interviews

Yin (2003) argues that interviews are one of the most important sources of case study information, especially, when the event detail cannot be observed directly. Since our research concerns examination of such aspects as companies' capabilities and competencies, which cannot be directly observed, we have chosen interviews as a source of primary data.

After getting positive responses about conducting the interviews from the eight companies, we have analyzed the secondary data to identify the differences among them. We then separated them in two groups in a way that each would get four companies with the highest diversity to minimize bias in our research. The first group (IFL, Lexicon, Företagsuniversitetet and Mindset) was selected for analyzing the industry for outside-in analysis. And the second group (Mercuri, IHM, Wenell and Gällöfsta) was chosen to conduct the in-depth company interviews for analysis from the resource-based view.

We have used the focused approach to interviews by asking the respondents the pre-defined set of questions about their company and the industry as such. However, some of the questions were of an open-ended nature, when we needed to ask respondents about their own opinions about events or propose their own insights into certain occurrences (Yin, 2003). This allowed us to pursue a consistent line of inquiry making the questions more fluid rather than rigid. We have used the semi-structured interview, where the interview consisted of two major parts: a basic, with pre-defined questions and a flexible, enabling us to elaborate on issues we were particularly interested in.

All the respondents held key positions in their respective companies, meaning that they participated in the formulation of companies' strategies and had good understanding of the industry. The list of interviewees is presented in table 2.1.

Table 2.1. Summary of conducted interviews

Respondent	Date	Duration
Peter Normark, Implement, Consultant	September 6, 2006	1 hr
Lisa Algvere, Företagsuniversitetet, Director of Training	September 15, 2006	1 hr
Johan Åkerström, Lectum Lexicon, Product Director	September 19, 2006	1.2 hrs
Peter Hägglund, IFL, CEO	September 25, 2006	1 hr
Hans Blank, Mercuri International, Partner	September 26, 2006	1 hr
Lars Ågren, IIB, Administrative Director	September 27, 2006	1 hr
Tove Husell, IHM Business School, Product Director	October 3, 2006	1.5 hrs
Luba Lockner, Mindset, Marketing Director	November 6, 2006	1.3 hrs
Ulf Bengtsson, Wenell Management, CEO	November 7, 2006	1.5 hrs
Peter Boström, Gällöfsta, Consultant Director	November 9, 2006	1 hr
Kenth Dejenstam, Association of Educational Companies, General Secretary	November 15, 2006	1.5 hrs

Since we have interviewed only one person in each company, we clearly understand the risk that the information can be biased to a certain degree. Therefore, we thoroughly discussed all the results and crosschecked with the information from secondary sources.

During the interviews we did not influence the responses by asking leading or biased questions in order to be as objective as possible. All the interviews were conducted in person except for one performed over the telephone – Mercuri International. A minor part of the interviews were conducted by one of the authors due to language restrictions imposed by the respondents. When the interviews were conducted in English, both of us were taking notes to ensure higher level of accuracy. We see (it) as the best possible instrument for collecting information taking into consideration respondents' unwillingness to use a tape recorder.

In early stages of our work, we have also interviewed Peter Normark from consulting company Implement and Lars Ågren from Institute of International Business in order to use their vast experience in the industry to provide insight for designing our study. When our work was approaching its finalization, we have also conducted an interview with Kenth Dejenstam from Association of Educational Companies (Utbildningsföretagens Förening) to gain expert opinion of a person who spent 25 years in managerial education.

2.2.2. Secondary Data – Documentation and Formal Industry Studies

We have used two sources of secondary data to complement our interviews and provide quantitative data for profitability calculations: documentation and formal studies of the industry. One of the main sources was Konsultguiden – the annual journal describing various Swedish industries. Both paper copies and the web-site were used extensively to collect financial data about the companies and expert opinions concerning the trends in the industry. This data was checked and complemented by analysis of all the companies' annual reports found at www.ad.se – the database of Swedish companies' financial data.

2.3. Quality of Research Design

Yin (2003) argues that for a case study there are four main indicators of the quality of research design: construct validity, internal validity, external validity and reliability.

2.3.1. Construct Validity

The construct validity deals with "establishing correct operational measures for the concepts being studied" (Yin, 2003). This quality of research test is problematic in case the study because the researcher often does not succeed in developing a sufficient operational set of measures and judgments "subjectivity" in the phase of data collection.

For our primary purpose we have decided to compare the key success factors and key profitability driving forces resulting from both strategy analysis approaches, since these measures are the ultimate results of conducting the respective analyses. These measures satisfy the requirements posed by the comparative nature of our analysis – we do not need any particular quantitative data to conduct the comparison.

Yin suggests three different tactics to enhance construct validity: use multiple sources of evidence, establish chain of evidence and have key informants review draft case study report. In order to improve the construct validity of our case study we have used many sources of data. We discuss this in the data collection part of this chapter. In the process of writing we contacted respondents several times to ensure that the facts we have been using were correct and provided new knowledge. This helped us establish a logical chain of evidence. Moreover, we have sent a draft of the case study to respondents to get their approval.

2.3.2. Internal Validity

Internal validity is concerned with causal relationships between conditions and/or variables. Our study is of exploratory and descriptive nature, therefore we do not have any causal relationships we should test. This means that internal validity is not applicable for our study.

2.3.3. External Validity

External validity indicates whether the thesis' findings can be generalized beyond the immediate case study. We have conducted a multiple-case study that provides a good basis for generalization. We consider the results to be applicable to the industry as a whole in the Swedish market and to some extent to managerial education industry internationally. The shortcoming of conducting a study of only one industry is that the generality of conclusion is questionable for other industries: even if we are quite sure that the results would be very similar in consulting industry, taking high-tech or manufacturing companies could produce different results.

2.3.4. Reliability

Reliability of the research study is the ability of a future researcher, applying the same tools and procedures as we have done, to get the same findings and conclusions. The goal of reliability is to minimize the errors and biases in the study (Yin, 2003).

We have thoroughly controlled the process of gathering data and selection of documentation. The way the study has been carried out is presented in data collection in methodology section. The key factor here was to keep the two parts of analysis separate – we have conducted interviews and other research with the maximum degree of independence.

The choice of semi-structured interviews clearly benefits our thesis from a reliability point of view. On the other hand, we have to acknowledge that not all questions could be specified in advance and some of them were asked depending upon the conversation contexts. The reader can find out standardized interview guide in the Appendix 3, but she or he has to take into account that not all questions can be explicitly specified.

3. Theoretical frameworks

In this section we present the reader with the existing theoretical frameworks that are the basis for our study. Following the rationale of the primary purpose of this paper, we will compare the results of application of outside-in and inside-out approaches to strategy analysis.

There are two major views on strategy analysis. The most influential has been the industrial organization (IO) perspective. As Regnér (1999) puts it, "these views take the environment as the point of departure in strategy analysis and primarily concern the strategic question of *where to go*". The alternative and relatively young approach, the resource-based view (RBV) of a company, focuses on unique firm resources and capabilities and strives to answer the question *how to get there* (Regnér, 1999). Later in this paper we will refer to the industry analysis perspectives as to outside-in strategy analysis, while the block of RBV we will call inside out perspectives

Both perspectives deal with the notion of competitive advantage. Grant (2005) provides the following basic level definition: "when two or more companies compete within the same market, one firm possesses a competitive advantage over its rivals when it earns a persistently higher rate of profit". Competitive advantage consists of two major components (Verdin & Williamson, 1994):

- External sources, including key success factors defined as necessary attributes for satisfying customers' needs and surviving in the competitive marketplace (Porter, 1980; 1998).
- Internal sources – potential gains provided by a company's resources and capabilities to achieve and sustain a competitive advantage (Barney, 1991; Grant, 2005; Verdin & Williamson, 1994).

3.1. Academic debate on differences of industry analysis and resource-based view

We reviewed a number of academic articles and books addressing the comparison of the two perspectives and found that they only deal with the problem on a theoretical or conceptual level, without discussing the results of analysis. Moreover, there are very few articles comparing these approaches. Most of them are descriptive studies of respective concepts. The main discussion was going on in the works of three most notable scholars representing both camps: Michael Porter, Jay Barney and Richard Rumelt. It should be noted, that these authors are the founders of respective approaches, so their view is often quite biased.

Porter (1990) argues that "resource-based view cannot be an alternative theory of strategy". He sees this theory as a complement to the industry analysis, not a substitute. His argumentation is based on that resources are not valuable in and of themselves and cannot be analyzed outside of the market context. Resources allow the company to perform activities required for achievement of competitive advantage. Moreover, he adds that competitive advantage cannot be derived exclusively from resources, but they have to be complemented by many other factors, such as scale, sharing across activities and optimal degree of integration. Porter highlights that proponents of resource-based view take resources as given and do not pay much attention to the process of gaining them. He argues that the resources can either be obtained by the company while performing activities or be acquired from external part, or the combination of these two. Porter concludes his discussion with that "the greatest value of the resource view will be in assessing opportunities for diversification, provided the resource view and activity are integrated" (Porter, 1990).

On the contrary, the research conducted by Rumelt (1991) reported that the industry, a company is in, plays only a minor role in describing that company's profitability. In his paper, Rumelt used regression analysis of data from multiple branches in US industry over 1974-77 to identify how different factors influence companies' returns. His finding was that industry-related effects account only for about 4-8% of the variation in profits, whereas business-unit variation (intra-industry heterogeneity) accounts for around 45%. Therefore, Rumelt argues that "business units within industries differ from one another a great deal more than the industries differ from one another" and one should also examine other factors except for the industry to predict a company's profitability.

Jay Barney, one of the founders of RBV, criticizes Porter's approach to strategy analysis. He argues that his type of research places too little emphasis on the impact of idiosyncratic firm attributes on a firm's competitive position (Barney, 1991). He further does not agree with the two assumptions that simplify the reality: firms within an industry possess identical, strategically relevant resources and pursue identical strategies; heterogeneity of resources is very short-lived due to the high mobility of the resources used for strategy implementation (Barney, 1991).

Barney (1991) has also proposed the view of these two approaches as the much more in-depth version of SWOT analysis of the firm. He sees the RBV describing the Strengths and Weaknesses of the company, whereas industry analysis is "responsible" for Opportunities and Threats.

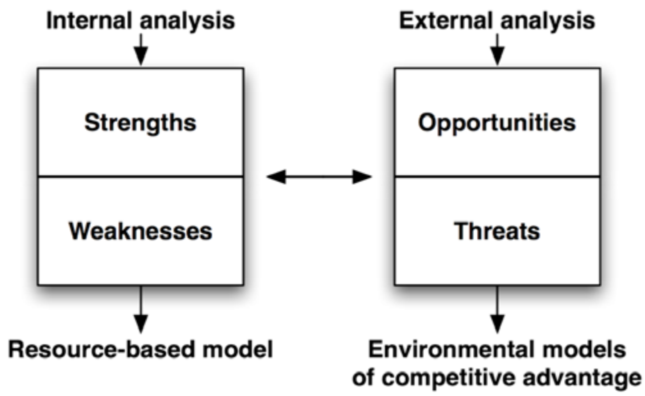

Figure 3.1. Barney's view on strategic frameworks

What is interesting about the two approaches is that they deal with the same problems on different levels. Entry barriers, discussed by Porter, are meant to prevent other companies from entering the industry. Mobility barriers (Dranove et al., 1998) are used to impede companies in the industry from changing their focus to switching strategic groups with better profitability. Finally, isolating mechanisms, introduced by Rumelt (1984), are the tools the company uses to make its competitive advantage inimitable and sustainable. The underlying logic among these three concepts is very similar and the notions they describe are basically the same. This casts doubt on the fundamental differences between the approaches and leads us to the possibility that they both are the sides of the same coin.

3.2. Outside-in strategy analysis

Outside-in strategy analysis is based on the examination of exogenous factors influencing the company. The main underlying framework for describing the industry is the Structure-Conduct-Performance paradigm, introduced by Scherer and later developed by Mason, Bain and Caves. The main reasoning behind these views is that that various industrial attributes determine firms' conduct and in the end social and firms' performance (Caves, 1992; Scherer, 1990). Industry analysis proponents argue that a theory of strategy has to "link environmental circumstances and firm behavior to market outcomes" (Porter, 1991). However, not very much attention is paid towards relationships between performance and conduct and between conduct and performance (Regnér, 1999). The IO theory has a static nature and does not take endogenous processes into analysis resulting in that activities inside the firms are ignored. Porter (1981) argues that IO framework can be adapted for use by the practitioners since most of the shortcomings of this approach can be overcome.

3.2.1. Competitive forces model

Competition is the core of success or failure of firms. Companies' competitive strategy strives to gain a profitable and sustainable position against the forces that determine industry competition (Porter, 1985). The only possible unit of analysis in this approach is a strategically distinct business or industry. In order to understand a company success, a researcher has to investigate the function of two factors: the attractiveness of the industry and firm's relative position in that industry. Industry attractiveness partly consists of factors that a firm can hardly influence. At the same time a firm is able to improve or erode its position within an industry through its choice of strategies (Porter, 1985). It means that a company does not only respond to the environment, but also may try to shape environment in its favor.

Thus, firm's profitability can be driven either by an industry effect or a positioning effect (Porter, 1991). In a competitive environment a firm continuously strives not only to improve its position but also to influence the structure of the industry to gain a competitive advantage.

Industry structure

Figure 3.2 on the next page presents a framework for the analysis of industry structure. The five forces are major determinants of industry profitability because they influence the prices, costs and required investments of companies in the industry (Porter, 1985). He argues that strength of each of the five competitive forces is a function of industry structure, i.e. the underlying economic and technical characteristics of an industry. However, it is possible for companies to influence the forces through their strategies resulting in firms' ability to shape industry structure and change its attractiveness. The logic behind this model is that it attempts to explain the sustainability of profits against direct and indirect competition and against bargaining (Porter, 1991).

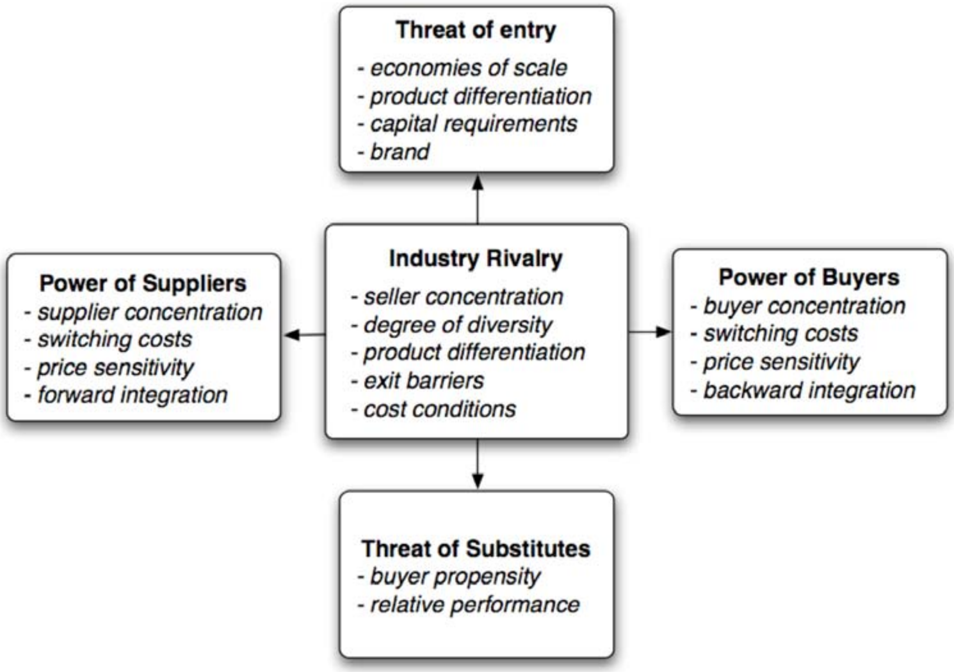

Figure 3.2. The five forces model

The analysis of the five forces and their underlying causes allows a thorough examination of the various aspects of an industry. For a detailed description of individual forces, please see Appendix 1.

Relative position

According to Porter (1991), a necessary characteristic of any successful firm is that it has an attractive position within the industry. An attractive position can be defined as a position that allows a company to possess a competitive advantage over its rivals. Competitive advantage (thus, profitability) derives either from firm's ability to charge higher prices than its competitors, or enjoying lower costs. When examining competitive advantage, it can be only attained within a certain competitive scope meaning a number of dimensions in which the firm competes. There might be several attractive positions both in absolute and relative terms. Therefore, one of the main challenges is to choose a position that makes it possible to distinct the firm from its rivals.

Positioning of the firm determines the level of firms' profitability. The fundamental condition for superior performance in the long run is sustainable competitive advantage. It includes two basic types, low-cost and differentiation, allowing companies to deploy one of the three generic strategies: cost leadership, differentiation and focus.

This examination of competitive environment serves as a basis for identification of key success factors for the companies within the industry – "the factors within the firm's market environment that determine its ability to survive and prosper" (Grant, 2005).

To sum up, industry analysis is based on the idea that industry profitability is a function of the industry structure. The five competitive forces determine industry's performance and are dependent on exogenous factors, but can also be shaped by companies' activities. Companies aim to improve their relative position within the industry by using one of the three generic strategies: cost leadership, differentiation and focus.

3.2.2. Strategic groups

Strategic group segmentation is decomposition of the industry into several groups based on the strategies of the firms within the industry. Porter (1980) defines a strategic group as "the group of firms in the industry following the same or similar strategy along the strategic dimensions". The process of segmentation is performed by aligning the companies along several most important dimensions that describe the company's strategy. It is also argued, that companies strive to erect *mobility barriers* within the industry to prevent competitors from other strategic groups change their position within the industry (Dranove et al., 1998; Grant, 2005).

Many scholars tried to identify if the profitability differences are smaller within groups than across them (Smith et al., 1997; Cool and Dierickx, 1993; Peteraf, 1993), but found that there is no robust support for this statement. Grant (2005) argues that strategic groups are much more suitable for identifying strategic niches within the industry and the strategic position of the company than for analyzing interfirm profitability differences.

Ferguson et al. (2000) brought one more interesting dimension – they discussed the influence of strategic groups on company's reputation. Their conclusion is that the reputation differs significantly from one strategic group to another within most industries. The implication of this is that the reputation can become a very important mobility barrier, since it can only be obtained over long periods of time.

Thus, strategic groups segmentation is the way to identify groups of companies pursuing similar strategies that are different from the strategies of other companies within the industry. They are useful to get a more detailed picture of the industry, but do not have direct impact on profitability. Mobility barriers are the instrument for the companies to prevent competitors from changing their strategies.

3.3. Inside-out strategy analysis

The resource-based view attempts to analyze internal content of the firm. The focus of the analysis shifts from the inter-industry differences to inter-firm differences. "It identifies how firms exploit unique resources and capabilities and focuses on the development of new capabilities" (Regnér, 1999). Researchers representing this school, characterize a firm in terms of its resources and capabilities rather than its industry position. These assets are seen as determinants of the firm's direction and growth.

The basic assumptions underlying the RBV are: firms within the industry may be heterogeneous in terms of strategic resources they control; these resources may not be perfectly mobile across firms resulting in long-lasting heterogeneity (Barney, 1991).

There are two currents of resource-based research (Regnér, 1999). The classic one is more concerned with the firms' existing capabilities: the necessary assumption for this school of RBV is market efficiency and equilibrium of unique qualities of resources. Classic approach is more difficult to apply, because it is not clear what constitutes a resource, a capability or competence and how they are generated by other factors (Regnér, 1999). The dynamic approach is more related to the development of the firms' capabilities and competencies that are gradually accumulated within the company rather than firm's existing resources (Amit & Schoemaker, 1993). The main focus is on the processes, which help firms to learn and adapt to continuously changing environment.

The primary source of durable rents depends on how well a company uses its resources compared to its competitors (Helfat et al., 2006).

3.3.1. The resources and capabilities of the firm

There are different definitions of resources, capabilities and companies in the RBV research literature. Wernerfelt (1984) and Barney (1991) provide quite broad definition where they include almost all assets, which are connected and controlled by the company. On the other hand, Prahalad and Hamel (1990) prefer the more narrow understanding of resources, capabilities and competences linking them to specific technologies. Therefore, it can sometimes be difficult to define what definition to use in the analysis.

What all these definitions have in common is that there is an important difference between the resources and capabilities. Resources are something that a company owns, while capabilities are what the firm can do. The firm will not be able to gain a competitive advantage by only acquiring individual resources. The challenge that many companies face is to make resources work together so that they can create organizational capability (Grant, 2005).

Grant identifies three groups of resources: tangible (financial and physical), intangible (technology, reputation, culture) and human (skills/know-how, capacity for communication, collaboration and motivation). At the same time, Coyne (1986) suggests that there are four sources of sustainable competitive advantage: business system gap, organization quality gap, position gap and regulatory/legal gap. Hall (1994) links these capabilities with individual intangible resources.

Resources and capabilities are evaluated along five qualities, which we call the modified VRIO framework: scarcity, relevance, durability, transferability and replicability (see Appendix 2 for more details on this framework).

3.3.2. Intangible resources

According to Grant (2005), the contribution of intangible resources to the asset value is much higher than that of tangible resources. Intangible resources are characterized by lower level of visibility in comparison to their tangible counterparts. This results in much more complicated imitation of theses resources by competitors rendering intangible resources more valuable (Barney, 1994).

We will use the typology developed by Hall (1994), who divides intangible resources into four groups. The first two are related to assets, which the business owns, while others are based on competencies or skills:

- Intangible assets that are legally protectable, or *regulatory* (trade marks, patents, copyrights, databases, trade secrets)
- Intangible assets that are not legally protectable, or *positional* (information in the public domain, reputation, organizational and personal networks)
- *Functional* skills (employee know-how, supplier know-how, distributor know-how, servicers' know-how)
- *Cultural* capabilities (perception of quality standards, perception of customer service, ability to change, ability to innovate)

Due to the particular attributes of the managerial education industry, we will be focusing more on some of these resources, since the others are not applicable or negligible.

Reputational resources
There are various forms of reputational assets consisting of both regulatory and positional resources, such as brand names and trademarks. They are valued because of provision of confidence to the customers, i.e. customers are willing to pay more for a branded product or service than for a generic one. Reputation is particularly valuable when only few companies have substantial level of it, and therefore, reputation as a resource is rare (Barney, 1991). Besanko et al. (2000) state, that reputation is a valuable source of first-mover advantage. Reputation as an asset may be connected both to a firm or a certain brand. On a company level a good reputation may enhance firm's attractiveness not only for customers, but also for other actors such as suppliers, employees, investors, and community. Using Dierickx and Cool (1989) as well as Helfat et al. (2006) terminology, reputational assets can be seen as non-tradable, i.e. they cannot be bought or sold in corresponding factor markets. If such assets are required for the firm's implementation of its product market strategy, they have to be built or accumulated internally. The development of a positive reputation usually depends upon specific difficult-to-duplicate historical settings (Barney, 1991). However, some authors argue that good reputation can be replaced by the use of guarantees, i.e. they act as a substitute for a firm's reputation (Klein and Leffler, 1981).

Human resources
Grant (2005) defines human resources as "the productive services that human beings offer to the firm in terms of their skills, knowledge, and reasoning and decision-making abilities". The appraisal of these abilities takes place at the time of recruitment and is based on candidate's qualifications and experiences as an indicator of performance potential. The latest development in the process of recruitment selection has demonstrated a trend towards less reliance on formal qualifications but more on candidates' flexibility, learning potential and team-working abilities. Recruiters pay considerable attention not only to technical and professional abilities but to the psychological and social aptitudes as well (Grant, 2005).

Organizational structure
An important component of the positional assets is the organizational structure. The performance of tasks can be structured in several ways: individually, self-managed teams and hierarchy of authority (Besanko et al., 2000). Most of the firms usually combine these structures, but when a company develops beyond a certain size, group self-management becomes too costly to coordinate. It implies that a firm is looking for some kind of hierarchy that is necessary to maintain and evaluate the group. This process can take the form of departmentalization, where organization is divided into formal groupings based on different dimensions, such as tasks or functions, geography, etc. Such a complex organization requires coordination ensuring sufficient flow of information between different organizational units and consistency of decisions made in various departments with overall organizational objectives. The need for control decreases to "locate decision-making rights and rule-making authority in hierarchy" (Besanko et al., 2000). The coherence between a company's strategy and its organizational structure is an important factor for company's performance.

To summarize, intangible resources are very valuable assets a company can possess, since they are harder to imitate by competitors. We have identified brand and reputational resources, human resources and organizational structure as the most important for our analysis. Despite that they belong to the different Hall's groups, they are similar in that they can to a large extent can only be built inside the company and are impossible to acquire.

3.3.3. Dynamic capabilities

Helfat et al. (2006) define the dynamic capability as "the capacity of an organization to purposefully create, extend, or modify its resource base". This type of capabilities allows the company to enter new businesses or extend existing ones with help of acquisitions, internal growth and strategic alliances. Eisenhardt and Martin (2000) state that dynamic capabilities are used to integrate, reconfigure and gain/release resources. They also make it possible for a company to create new products and production processes.

There are conceptual yardsticks for measuring the performance of dynamic capabilities: evolutionary fitness and technical fitness. The former refers to "how well a dynamic capability enables an organization to make a living by creating, extending or modifying its resource base" (Helfat et al., 2006). The degree of evolutionary fitness depends on how well a company matches its own dynamic capabilities with the context in which the organization operates. Technical fitness denotes "how effectively a capability performs its intended function when normalized (divided by) by its cost" (ibid.).

The company need not possess dynamic capabilities that are equally well developed in both technical and evolutionary fitness dimensions. According to Helfat et al., a firm might be successful when having either high evolutionary or technical fitness. Some real-life examples used in the Helfat et al. book support the endogeniety of evolutionary fitness to technical fitness, where "market leaders in particular have opportunities to use technically fit capabilities to influence the environment in a manner that promotes the evolutionary fitness of their capabilities". However, the company is limited in its ability to influence evolutionary fitness due to environmental constraints: market demand, challenges from alternatives, and risks of cannibalization. Thus, there is a limit of endogeniety of evolutionary fitness resulting in decreased importance of managerial decision-making.

The value of dynamic capability depends on whether or not its function creates value and to what degree. Even if a firm is able to perform some of its functions successfully due to a dynamic capability, the value created is not necessarily high. But even if it is high, it is not enough for gaining competitive advantage, unless it is higher than that of competitors.

3.3.4. Putting resource and capabilities to practice

In earlier sections we have presented the theoretical foundations of resource-based theory. However, many strategists argue that systematic application of this approach is rarely well structured. Therefore we have decided to present the three-step resources and capabilities analysis suggested by Grant (2005) to bring more clarity into this process:

Step 1. Identify key resources and capabilities

First of all, a researcher has to compose a list of key resources and capabilities assessed from both the demand and the supply sides. Key success factors can be chosen on the demand side, i.e. those factors that determine and serve as a base of successful existence of certain companies in an industry in comparison to its competitors.

Step 2. Appraising resources and capabilities
The researcher in this step faces a need to appraise resources and capabilities against two key criteria: importance and relative strength. Importance is derived from the potential profit gains from creating a sustainable competitive advantage with particular resource or capability. Whereas the relative strength is the degree of how well the company is positioned in this particular resource or capability compared to its competitors. Benchmarking is a useful tool that allows companies to shift from subjective level to objective one and to compare the company to the industry's outstanding practices. Finally, we bring together importance and relative strength allowing us to highlight a firm's key strengths and key weaknesses.

Step 3. Developing strategy implications
The focus in this phase lies on how a company may exploit its key strengths most effectively and how to upgrade or reduce the negative impact of key weaknesses. In other words, the company needs either to start a long-term process of turning its key weaknesses into key strengths or stick with them and try to reduce the vulnerability of the company to these factors. When important and relatively strong resources and capabilities are identified, the strategy formulation needs to ensure the greatest possible deployment of these resources and capabilities. At the same time, there are resources and capabilities that are not important sources of company's sustainable competitive advantage, but still represent company's strengths, so called superfluous strengths. The company then needs to either decrease investments into these resources or capabilities, or "turn apparently inconsequential strengths into valuable resources and capabilities" (Grant, 2005).

3.3.5. Isolating mechanisms

Competitive advantage can only be sustainable when critical resources and capabilities are scarce and immobile (Besanko et al., 2000). Isolating mechanisms are defined as "the economic forces that limit the extent to which a competitive advantage can be duplicated or neutralized through the resource-creation activities of other firms" (Rumelt, 1984). There are two distinct groups of isolating mechanisms:

Impediments to imitation – such mechanisms prevent established companies and potential newcomers from duplicating their resources and capabilities that serve as the basis of competitive advantage. Impediments to imitation include:

- Legal restrictions on imitations
- Superior access to inputs or customers
- Market size and scale economies
- Intangible barriers to imitation (casual ambiguity, dependence on historical circumstances and social complexity)

Early-mover advantages – isolating mechanisms that "once a firm acquires a competitive advantage, set in motion and dynamic that increases the magnitude of that advantage relative to competitors and potential entrants over time" (Besanko et al., 2000). Early-mover advantage:

- Learning curve
- Network externalities
- Reputation and buyer uncertainty
- Buyer switching costs

The use of isolating mechanisms allows the companies to gain sustainable competitive advantage over its rivals. Therefore, it is important to identify the most critical resources and capabilities and make sure that they cannot be easily imitated by competitors.

Summarizing, according to resource-based view, every company possesses various resources and capabilities. These resources and capabilities are unevenly spread among the companies in the market and not all of these resources are strategically relevant and lead to sustainable competitive advantage. Every resource and capability has to be evaluated from scarcity, relevance, durability, transferability and replicability points of view. Companies strive to isolate their strategic resources and capabilities from imitation by competitors or build upon the early-mover benefits to sustain the competitive advantage.

4. Industry overview

In this section we describe the managerial education industry, define the clear boundaries used in our research and provide overall information on financial performance over the period of ten years 1996-2005.

The overall Swedish managerial education industry consists of three major groups:
- Relatively large companies, which see each other as main competitors
- Smaller companies often specializing in different areas of knowledge
- Independent consultants providing customized solutions

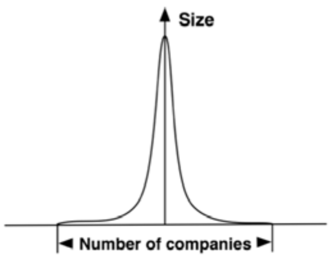

Figure 4.1. The overall distribution of number of companies in the industry depending on size

Before conducting analysis, we need to clearly define the actual industry in focus using Ghemawat (2001) framework: position the industry along horizontal, vertical and geographical dimensions.
- Horizontally, the industry includes the companies that provide leadership education with existence of open programs with length of at least five days. It not only differs from similar industries like consulting, but also from other education providers that concentrate on customized solutions or on specific non-leadership topics.
- Vertically, the suppliers to the industry are clearly the teachers, whereas the customers are the companies that require education.
- Geographically, we only analyze the companies in Sweden, with most of them having headquarters in Stockholm (MiL Institute – in Lund)

Figure 4.2. Overview of delimitations, based on our industry definition

We have identified fourteen companies that which constitute the industry: Mercuri, Lectum Lexicon, IHM Business School, IFL, Företagsuniversitetet, Sällma, Wenell, Jensen Education, Företagsekonomiska Institutet (FEI), MiL Institute, MGruppen, Vendator, Gällöfsta and Mindset (listed in the descending order of their revenues in 2005). As a result, we have got a sample with all companies having their annual turnover at the mark of at least 20 MSEK.

Table 4.1. The short summary of the interviewed companies

Company	Content	Customers	Suppliers
Företagsuniversitetet	practical/edutainment*	small to large	practitioners
Gällöfsta	practical	medium to large	practitioners
IFL	academic/practical	large	academic
IHM	academic/practical	small to large	academic/practitioners
Mercuri	practical	medium to large	practitioners
Mindset	practical	medium to large	practitioners
Lectum Lexicon	practical/edutainment*	small to large	practitioners
Wenell	practical	medium to large	practitioners

* Edutainment – education + entertainment, a form of education designed to educate as well as to amuse

In this paper, we analyze financial data from a ten-year period (1996 to 2005) of these fourteen companies to assess financial performance of the companies and the industry overall (see Appendix 5 for more detailed data). From Figure 4.3 it is apparent that the turnover of the companies was reasonably stable over time with two notable exceptions: in the middle of the period IHM Business School was rapidly gaining market share while Lexicon was losing out with even faster pace. However IHM's revenues growth proved to be not sustainable during the period of crisis in the early 2000's. Whereas, Lexicon has started to pursue the strategy of acquisitions of smaller players outside of large cities (e.g. Membran and Datautbildarna)[1], which helped the company restore its positions in the industry. One more notable fact is the stability of the revenues of the companies in total: throughout the period the total amount of services sold was close to 900 MSEK.

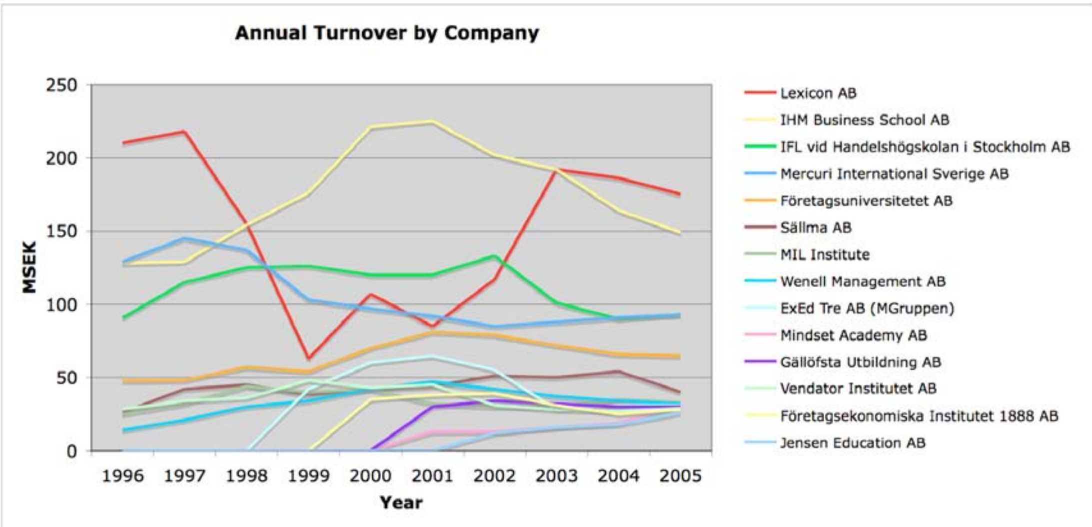

Figure 4.3. Annual turnover by company in 1996-2005, MSEK. Source: annual reports, Konsultguiden

As for the general profitability in the managerial education industry, we can observe from Figure 4.4 (on the next page) that the margins were quite stable in the late 90's in the range of 4-5%. However, the downturn in the world's economy in early 2000's undermined the profitability of all education industry, since educational companies are generally very sensitive to fluctuations in the economy. In the recent two years profitability is restored on the pre-crisis levels.

[1] Source: Konsultguiden, 2004/2005

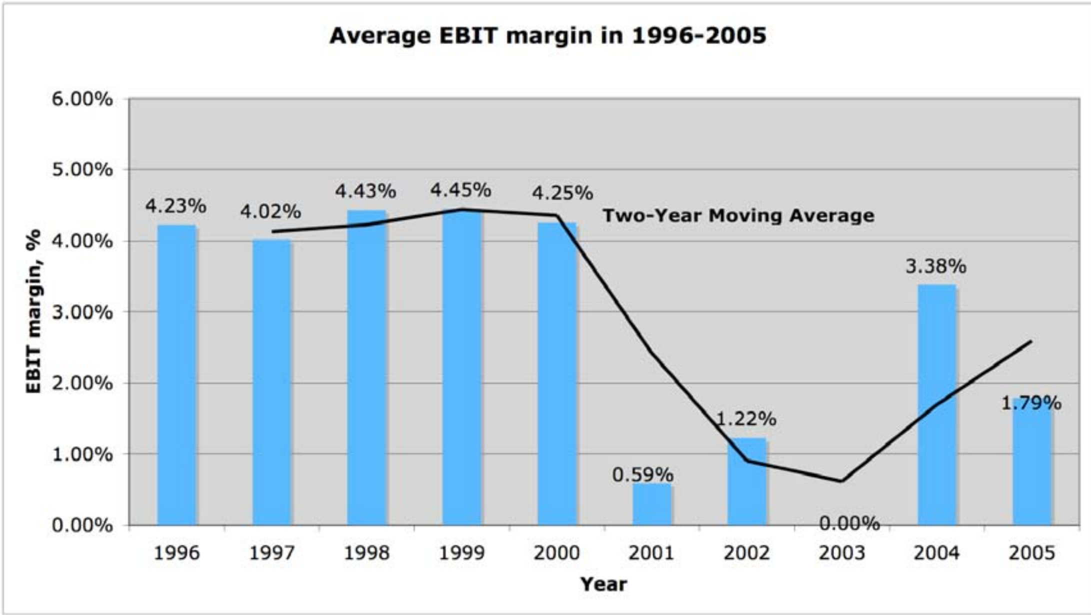

Figure 4.4. Weighed average EBIT margin in 1996-2005 by year. Source: annual reports, Konsultguiden.

Looking at the profitability of particular companies in this period (presented in Figure 4.5), we can see that there is only one clear outsider – MGruppen, whose bad performance can be explained by the lengthy period of restructuring in the company. On the other end there are companies that enjoy highest profitability: Jensen Education, FEI and Wenell Management. All of them have specific competitive advantages, which we will discuss in the following chapter.

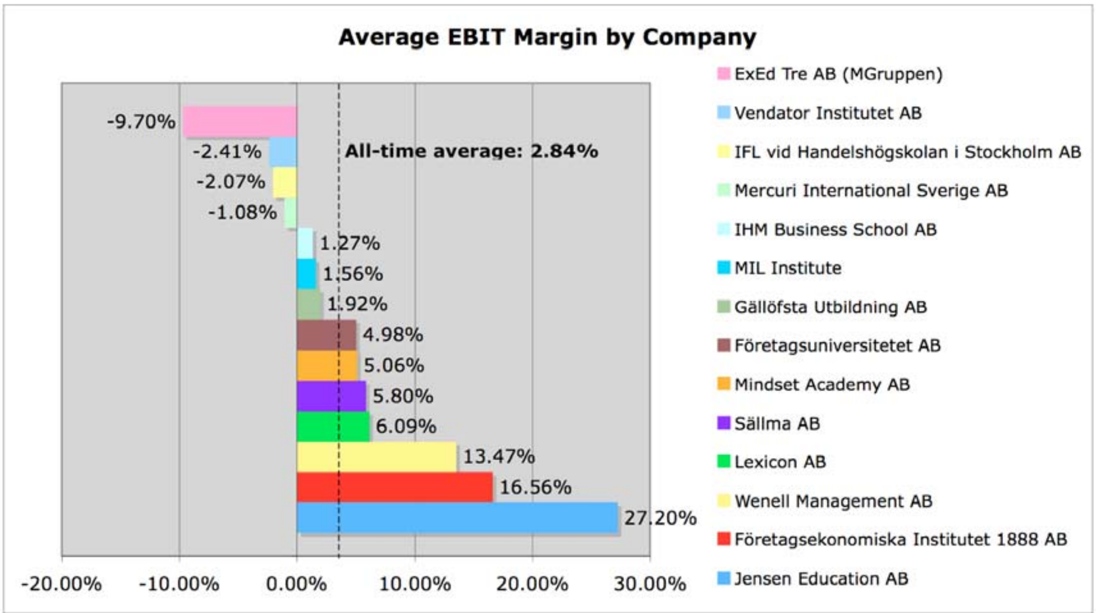

Figure 4.5. Weighed average EBIT margin in 1996-2005 by company. Source: annual reports, Konsultguiden.

To sum up, the chosen industry consists of fourteen companies that satisfy all of our criteria. Companies are differentiated in terms of content of their programs, size of customers and background of employed consultants. The overall turnover in the industry has been very stable over the last decade at 800-900 MSEK in total, whereas profitability was seriously undermined by the economy downturn in the early 2000's.

5. Strategy analysis

5.1. The industry from the outside-in perspective

In this section we will analyze the management education industry using the outside-in tools presented in section 3.1. First, we conduct the five forces analysis of the industry, then identify the industry's future trends, long-term profit potential and key success factors, and finally segment the industry into strategic groups.

5.1.1. Five forces analysis

We begin with the competitive forces analysis and derive industry key success factors from it.

Intensity of rivalry

There is a great number of companies which provide managerial education in one way or another. However, due to our delimitations the competition analysis will focus on the companies satisfying all the aforementioned criteria. There are fourteen relatively large players on the market and a number of smaller companies, which however mostly focus on customized and/or short study programs.

According to Caves (1992), the industry *seller concentration* is one of the main factors influencing the attractiveness of an industry. He postulates that an industry can fall into four categories: monopoly, dominant firm (one company controlling 50-90% of the market), tight oligopoly if combined share of four biggest companies exceeds 60% and effective competition, if none of these conditions apply. Since in our industry there are no dominant firms, we calculate the combined market share of four biggest players out of fourteen companies we have chosen to see if it is oligopolistic:

$$S_4 = \frac{\sum_{i=1}^{4} R_i}{\sum_{i=1}^{14} R_i} = \frac{510}{829} = 0.615$$

Where S_4 – share of the four largest companies and R_i – revenues of the *i*-th company in 2005, $i=1$ for the company with biggest sales, 2 for the next and so forth.

The calculated concentration ratio is 61.5%, therefore we conclude that the concentration of sellers is moderately high, however this ratio is not high enough for players to coordinate prices on the market.

The analysis of competitors has shown that *degree of diversity* among them is low. But we could identify a number of differences concerning costs and strategies. According to IFL CEO Peter Hägglund, the company's overhead costs are higher compared to its smaller competitors. Mercuri, on the other hand, utilizes another strategy where its consultants are actively involved in sales together with the purely educational activities. International nature of Mercuri and to some extend of Lectum with consultants placed in foreign countries also differentiates them from other market actors.

Most of the companies mentioned in their interviews that all major Swedish international corporations are targeted as prospective customers for the company (e.g. Ericsson, Scania, Volvo, Atlas Copco, Telia, etc). This is easily explained by the size of these multinationals and the possibility of buying educational services from several vendors at a time. As an example, SEB (Skandinaviska Enskilda Banken) uses seven to eight suppliers of education only in the area of sales[2]. Therefore, the competition to become the education vendor for these clients is extremely fierce.

According to all respondents, apart from seeing each other as competitors, they often mentioned the complementary nature of their co-existence. This "co-opetition" has its roots in historical development of the companies in focus, that often get specialized in education of leaders or managers within the certain functional area. For example, Institutet för Högre Marknadsföring (IHM) has its background in marketing and retail businesses and is often considered a suitable choice when it comes to educate marketing and sales managers. While IFL and MiL have strong connection to academia largely based on theoretical aspects of management science. Moreover, Hans Blank from Mercuri has noted that the future of management education will be seen in higher specialization of programs due to diversified needs of managers in different functional roles. So, despite the fact that the customers are oftentimes the same, the companies find ways to partly focus on certain industries and decrease the rivalry.

The first look at the companies' homepages and brochures on open programs clearly indicated that at least the titles of open courses are very standardized. These are some examples: Practical leadership, Leadership and formation of a team, Project leadership, Coaching, Operations management, which are included in assortment of every single supplier (see Appendix 4). This finding was also discussed during the interviews, since the respondents themselves realized that the surface of their product portfolios looks quite similar to each other. However, they did not agree that the product within the industry could be characterized as highly standardized, since the content, instruments, methods and course leaders are specific for each company, for example, situation-oriented method and GRID at Lectum. It means that the leadership course with the use of proprietary methods allows differentiation from other competitors.

The industry has virtually no *exit barriers* since companies have very few fixed assets. Employment practices of using external consultants increase company's flexibility when managing human assets and make them less sensitive to job protection regulations. This is an important factor since labor law in Sweden is one of the strictest in Europe. The exceptions from these practices are Mercuri and Wenell, who employ all their consultants rather than purchase their services. The main sunk cost would be investments directed into brand and relationship building, but this is the case in most other businesses as well. Hence, the newcomers do not have any substantial risk in entering the industry and many new companies appear every year.

In summary, we conclude that the internal rivalry is moderate in this industry despite some degree of visual standardization of offerings. The main players often target customers from industries different from their main competitors. But the exceptions from this rule are large corporations, which purchase educational services from several vendors at a time. The nature of competition is mainly not in price dimension, but rather in advertising, innovation and other non-price factors.

Bargaining power of suppliers

The main and almost the only supplier for managerial education are the teachers themselves, who develop study programs and perform the education process. The role of

[2] Source: Konsultguiden 2004/2005

other suppliers (book publishers, stationery, etc) proved to be negligible. We have identified the following major practices concerning labor suppliers in the industry:

- Companies tend to avoid dependence on teachers by not employing them on a regular basis. As mentioned before, very few companies have in-house course leaders (Wenell, Mindset and Mercuri), while others use external ones.
- They do not utilize consultants with strong personal brands as a means to attract new customers, since they see a risk of getting into situation when the supplier occupies an increasingly powerful position.
- Most of the companies have an extensive database consisting of one to three hundred consultants to raise exchangeability possibilities.
- Regardless the fact that most of the programs are designed with the cooperation with the teachers, the ownership rights belong to the companies. Basically, any program can be taught by any consultant after some minor adaptations.
- In addition, all respondents indicated that there is great a interest from teachers' side to work under the brand of an educational company.

We find that it is necessary to highlight that many respondents when reflecting on their dependence on consultants noted that there is a certain group of teachers, which is seen as being more important for companies' operations. The aim is to build more long-term relationships with teachers and, therefore, they face higher degree of interdependence. This group of teachers can be seen as having a stronger bargaining power, but it still remains very low.

There are some indications illustrated by Mercuri International, that in certain situations consultants are able to obtain greater bargaining power. According to Hans Blank, many smaller customers are actually buying teachers, not the brand, while bigger do the opposite. Nevertheless, this effect is constrained by the customer structure of the company (the 20/80 rule), i.e. only 20 percent of revenue can be dependent on particular consultants. In the case of IFL, the majority of teachers have an advanced academic background, so there is a general shortage of available suitable candidates. Many academic institutions face similar challenge making it more difficult to change teachers. But according to Peter Hägglund, there is a possible solution to this dependence by employing the experienced consultants with higher academic degrees. This leads us to the conclusion that educational institutes using teachers from academia may be less powerful when purchasing their services due to this shortage of suitable candidates.

Therefore, we conclude that the power balance in the relations of education providers and their suppliers is clearly on the companies' side with some deviations as in the examples described above. The supply of teachers is exceeding demand, therefore, the education providers are in position to choose, because many of independent consultants are willing to work under a strong brand. The companies tend to avoid dependence on teachers by purchasing their services instead of employing and by keeping the ownership of the programs within the company.

Bargaining power of buyers

Most of the companies target and serve a number of Swedish multinational companies, which account for the bigger part of education providers' revenues. On the other hand, the *buyer concentration* is diminished by the fact that the market is segmented based on the industry of the client company. It means that the concentration is slightly decreased by the companies' specialization in certain industries, but still remains high.

Figure 5.1. Example of specialization on certain industries of selected players. The customers in the center (large Swedish multinationals) are targeted by all of the companies.

In terms of *buyer volume*, the industry is moderately diversified. One group of companies insists on the absence of any significantly influential buyers. They mean that the selling volume is spread among many large and small customers. Whereas the second group, in particular Mercuri and IFL, say that they are dependent on several largest clients. It not necessarily has to do with the volume at a given time, but rather under longer time frame.

The customers in the industry are characterized as not very *price sensitive*. This conclusion is supported by the fact that the price component of the provided services has been identified as less significant by all respondents in relation to other aspects of programs, such as quality and flexibility. There are of course differences associated with the customers' size, since the money spent on educational purposes in proportion to total cost of operations varies. It implies that large clients are less sensitive to the educational expenditures, because they comprise a smaller share of their budget. This leads to the conclusion that cost leadership is not the suitable strategy to pursue.

We find it rather difficult to estimate the *importance of the industry's product to the quality of the buyer's product or service*. It may vary depending on the development state of the buying company: if the education is provided during the organizational change phase, the importance will be significantly higher than if it's a part of personnel development plan. However, the respondents highlighted the fact that the customers usually compromise higher prices if they get better quality. Still, the relative importance of quality of education compared to major production inputs, such as raw materials and components, is low.

Since the focus of our study is on open programs, all respondents stated that *switching costs* are almost not existent, at least not in monetary terms. Many of them talked about hidden switching cost meaning that companies integrate their theoretical educational frameworks into their operations in terms of managerial models and language used. If customer decides to switch to another company, he or she must transform company's existing framework to a completely new one. Another aspect that was highlighted concerns time and resources spent on learning about each other, courses content and quality, i.e. the resources spent on establishing relationships. One of the interviewed persons even noted that it could be an advantage to switch the vendors since it allows possession of wider network and access to new thinking. Therefore, the customers are not tied to the education companies, so the rivalry in the industry increases.

Some companies voiced concerns that there is a tendency among large companies with considerable human resource department to *backwards integrate* the education services. A typical program like this will consist of several days of trainings with the use of successful managers from all over the world, who deliver an alternative in-house education. In such situation, an educational company risks to lose the direction and control over content of the training processes and in many cases has to leave the company. This trend is however quite fragmented and the respondents said it should not pose a threat in the near future.

Information in most services is characterized by being highly imperfect. Education in particular is probably one of the most extreme examples of this, since there are no physical assets that can signalize the expected quality of a service, as it is in airlines or hotels. When purchasing education, consumers have to rely on information provided by the company, their own and others' experience, company's reputation and other external sources. This puts educational institution to a more dominant position that allows them to form the desired perception of educational programs. However, they are extremely aware of the fact that if they do not deliver satisfactory service, the client will not make a repeated purchase. Therefore, all of them find it necessary to provide as much information as possible in order to ensure that a customer chooses the right program suitable for her or his needs.

To make this argument even stronger, we have to raise the issue of reclamations that are in most cases concerned with the wrong choice of the course either from content or complexity level mismatch. The responsibility and consequences are equally shared by both partners, therefore, a correct informational flow from suppliers to customers is crucial. An educational company has a policy of offering another program free of charge if such reclamations take place. Other instruments that are available to companies willing to make the information less imperfect include different kinds of certification and patented method such as Lectum's SOL and GRID or Mercuri's Format or Blended Learning. The industry extensively uses surveys both from participants' and buying companies' points of view to assure services' quality.

On the other hand, there is a mutual transfer of imperfect information, since educational companies face an extremely large volume of imperfect information from its buyers concerning the kind of educational needs they demand. In order to improve buyer-to-supplier information flow consultants try to engage themselves and the management into the information exchange and knowledge acquisition about the company. Summarizing, regardless the educational companies' informational advantage, they consciously decrease this advantage themselves because imperfect information would bring a lot of negative consequences.

The analysis has shown that buyers escalate considerable power on the industry. The high buyer concentration puts clients in a more powerful position worsened by purchasing volume dependence on some of them. The impact of the quality of education on the quality of the clients' final products cannot be identified, but usually is much less then direct input of, e.g. raw materials or components quality. We could not find any significant evidence of switching costs for buyers. Some companies tend to practice backwards integration of their educational activities and force their partners to leave the company. The industry practices have demonstrated a clear tendency towards decreasing the amount of imperfect information in both directions, putting customers in a more favorable position.

Threat of new entrants

According to most of the interview respondents and our research, the biggest *entry barrier* into the industry is the *brand*. They found that the new entrants have difficulties in getting into customer's consideration set. The prevalent part of the companies in focus has been in the market for a considerable period of time (see Appendix 4), only Mindset and Jensen Education are newcomers. Even IHM, the relatively mature company, faces now challenges of making their brand stronger among the managerial education providers despite their predominantly marketing and retail background. The importance of the brand name is largely supported by the interviewees stating that newcomers have to be able to be recognized among others.

Size of the company also matters, as the larger customers expect the education provider to be capable of supporting them and having similar potential for growth. This demanded capability includes number of employees and consultants as well as the number of courses in the companies' open programs. This adds more flexibility to the product since companies are able to anticipate dynamic demand and provide continuality of the education by offering new courses in the open program. However, the size also brings the dimension of diseconomies of scale. Bigger companies suffer from relatively higher operational costs as a share of their revenues. Thus, we conclude that the size of the company is important, however not in traditional "the bigger the better" meaning, but more in terms of achieving an optimal size to maximize profitability. This puts more pressure on larger companies since they have to make their operations more efficient to overcome these diseconomies of scale.

Capital requirements in the industry are not seen as being high. This can be explained by the fact that the level of investment neither in physical assets nor in research and development is virtually inexistent even in comparison with other services. The few investments needed are associated with marketing activities and program development. New entrants must spend much more resources on advertising and promotion in order to achieve the same level of brand awareness and brand goodwill in comparison to their established counterparts (Grant, 2005). And still there is a risk that the result of development will not meet demand from customer side. Moreover, the industry tends to ensure its cash flow and reduce capital risk by requiring payments in advance before the program starts. Non-refundable application fees are among other instruments that help to reduce customer fluctuations and compensate for associated administrative costs. As a result, start-up costs are low enough for individual self-financing entrepreneurs to enter.

However, as all respondents noted, the highest costs are associated with making a company known for the customers, i.e. marketing and relationship building. As Tove Husell from IHM Business School stated, regardless the fact that the school sells much to the existing network, there is a growing need for capital resources spent on marketing activities, when company expands into new customer segments. This opinion is supported by Företagsuniversitetet that has been investing extensively in marketing. When the company succeeds in standing out among competitors and getting its first satisfied customers, the word-of-mouth complements other methods. So in general financial requirements for the companies in the industry are very low, but the companies that rely heavily on advertising must have sufficient resources to succeed.

In general, we conclude that the entry barriers in the industry are low, which enables self-financing entrepreneurs to enter the market. The capital requirements are negligible for entering the industry, but expansion requires heavy spending on marketing. However, while almost everyone can enter the market, the companies need to achieve certain optimal size to be profitable and successful.

Substitutes
We have come to conclusion that there are no serious substitutes to managerial education. Purely internet-based education is not seen as such due to the lack of social and networking elements crucial for leadership education. All respondents were very insistent that personal development cannot take place in the isolated environment and requires dynamic interaction between individuals and intensive knowledge sharing. University degrees are also seen largely as complements than substitutes to management education, many companies actually base their programs on the knowledge acquired in higher education.

Thus, overall situation in the industry can be described by moderate rivalry within the industry, even though the concentration is reasonably high. The entry barriers are fairly low and we can hardly see any factors preventing companies from entering the industry, however growth would require more resources. Buyers escalate very strong power on the industry due to high buyer concentration and low switching costs. On the other hand, suppliers have almost no power over the education providers because the individual teachers are very scattered and many of them are willing to work under the strong brand umbrella. There is very little risk of substitutes, however possibilities of e-learning should be taken into account.

5.1.2. Future trends
Very often five forces reflect only static perspective, while it is important to follow and investigate future trends. Based on the information and our own predictions, we have identified four trends that we believe will shape the industry in the coming years:

Duration of the programs. Currently, there is a very wide range of programs length-wise. The opinions of respondents on this issue were not consistent: some believed that future educational programs will be longer (IHM and Wenell), others argued that shorter courses will prevail in the future (Mindset and AEC). We believe that these opinions are not necessarily contradictory – we foresee that the gap between the shortest and the longest courses will increase. In other words, there will be programs aimed at providing in-depth training, while others will be more and more focused on "injection" updating the knowledge of clients that already have a solid basis. We expect that the smaller companies will choose to specialize in shorter programs, because it not so resource consuming and less risky. The larger companies have more resources and can therefore satisfy the demand for the long programs. So, we expect the rivalry to increase within smaller companies as well as larger ones, but the competition between these two groups is likely to fall.

E-learning. Regardless the recent failure of e-learning to become the prominent educational method, we and some of respondents believe that it still has potential. However, this time it need not be treated as a substitute, but rather as a complement to traditional educational techniques. Many basic courses that do not require much interaction with other participants will be offered on-line with coaching. The development of this idea is a so-called *blended learning* – the combination of preparatory on-line studies followed by the conventional interactive sessions. Since the maintenance and development of internet solutions are very costly and resource consuming, we predict that this will lead to larger companies becoming more competitive in the market.

Marketing expenses. There is a clear trend in the industry towards increase of marketing importance. More and more companies use advertising and different kinds of promotional activities that are costlier compared to reputational marketing. According to Kenth Dejenstam, the companies' expenses for marketing have increased from 5% to 10-15% of revenues over the last decade. Concerning this issue, we believe that the competitive means will shift from relational and networking aspects to consumer-oriented marketing.

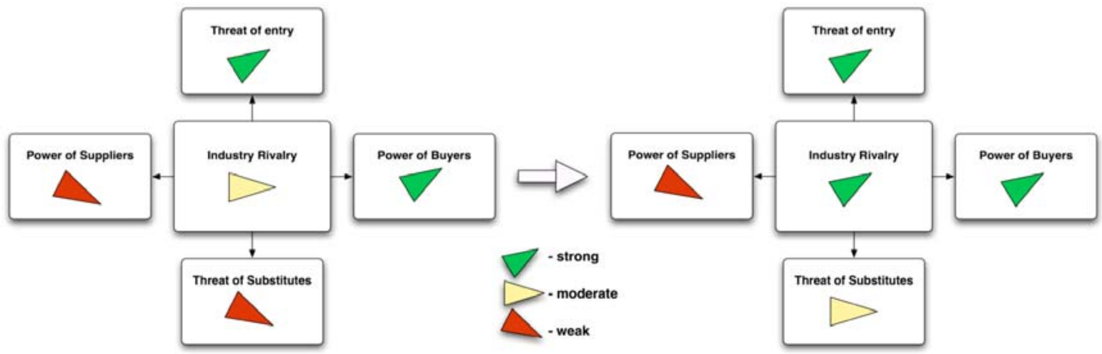

Figure 5.2. Predicted long-term dynamics of the industry

5.1.3. Long-term profit potential

Here we will try to predict long-term profitability of the industry based on historical developments and our analysis of current state and future trends. As we can see from Figure 4.4 in Chapter 4, the managerial education industry has enjoyed very stable, although not quite high, margins before the downturn in 2001. This, together with the responses from most of our interviews, leads us to the conclusion, that the industry is very dependent upon the overall economic state. When the economy is in recession, the education is usually the first thing on managers' cutting costs list.

We could not find evidence of the industry structure changing in the near future, as it has been very stable over the past decade both in terms of stable total revenues and lack of new actors. This statement is also supported by the recent report of Statistics Sweden[3], from which it is clear that the number of employees that participated in staff education and training remained almost constant over the last decade. We conclude that the long-term profit potential will be largely influenced by the economic situation in Sweden. Otherwise we see very few signs of change in the next five-ten years.

5.1.4. Key Success Factors

We have identified that the industry structure is the primary driver of company's profitability. As we can see from Appendix 5, the smaller companies generally enjoy higher levels of profitability than the bigger ones. We explain it by the presence of diseconomies of scale after certain point in the industry meaning that there is the optimal size and growth beyond this size does not produce expected results. Judging from the

[3] http://www.scb.se/templates/PlanerPublicerat/ViewInfo.aspx?publobjid=1445, accessed on November 27, 2006

facts and information collected during interviews, the *optimal size* is 30-50 MSEK in yearly turnover and around 15-25 consultants. The reason for this lies in high administrative and marketing costs, when for example extra money invested in marketing activities do not provide returns necessary to justify them. In addition, the increase in staff quantity can make the working environment more formal both among employees and towards customers.

The analysis has shown that the companies can further erect barriers to entry. *Reputational* entry barrier is already being extensively used, but we see potential to further enhance customers' perception of the importance of reputation. Since the anticipation of programs' quality is almost impossible before the actual consumption of education services, reputation acts as a determiner of customers' choice. Closely connected to this is the *brand* entry barrier, which we believe to become even more important factor. The companies have recently been investing larger and larger amounts of resources in advertising and building brand equity and we expect that soon it will be much harder to enter the industry without having a well-known brand.

Switching costs, on the other hand, can be a powerful tool to decrease the power of buyers. Currently, the companies pay almost no attention to this issue, i.e. customers are not tied to the education providers neither in monetary terms, nor to unique methodologies and courses. We think that the implementation of switching costs in monetary terms can be difficult to implement in reality and may result in a number of negative consequences. Therefore, we propose to design programs in such a way that a customer will gain from participating in a sequence of courses connected to each other in a specific unique manner different from competitors.

5.1.5. Strategic groups

In order to divide the companies into strategic groups we have chosen two strategic dimensions that differentiate companies' strategies from each other, based on our previous findings. We see product range as a very important dimension; due to that it clearly distinguishes companies that chose to focus on some niche markets. Throughout the product range axis, "narrow" means specialization of a company in particular area, such as sales or project management. Whereas broad range companies usually offer education for different function managers. At the same time, the size of the company was identified as an important factor influencing companies' profitability, therefore, we have used the relative size as a second dimension. In size axis small companies are the ones with close to 20 MSEK in turnover and large – with >100 MSEK annually[4]. The results are presented in Figure 5.3 on the next page.

We have identified the following strategic groups in the industry:

- Large players with a broad array of product offerings that strive to deliver the complete package of education and training even for their largest customers (Lectum Lexicon, IHM Business School, Mercuri International and IFL)
- Medium to small sized broad-line providers that usually are able to satisfy only a part of their customers' education needs (MiL Institute, FEI, Jensen Education, Företagsuniversitetet, Gällöfsta, Vendator and Mindset).
- Medium to small sized specialist providers that deliver education in their specific competence area towards all the customers in the market (Sällma and Wenell).

[4] Please note that small on the axis means small compared to other companies we chose, in the whole education industry the companies of 20-40 MSEK in turnover would be considered medium-sized

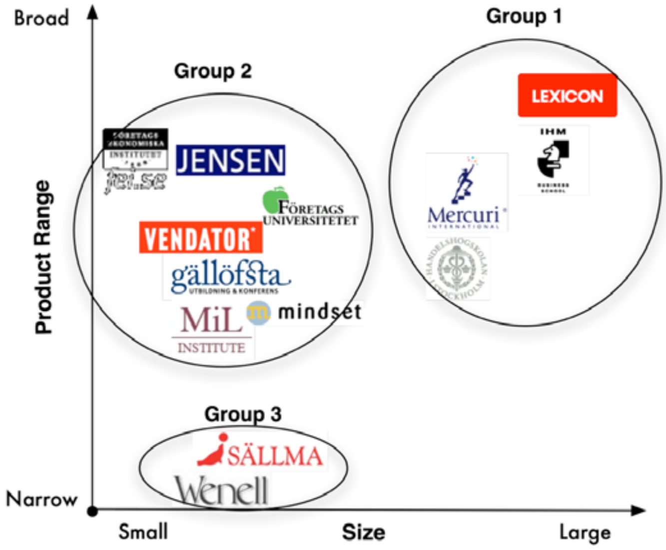

Figure 5.3. Strategic groups in the industry

Thus, the classification of companies into strategic groups allows us to identify different approaches to competing within the industry. However, the distinction of the groups' strategies does not necessarily imply that companies in these groups fiercely compete with each other. For example within the specialist providers group Sällma and Wenell pursue similar strategies, but do not compete with each other as the former focuses on sales and the latter – on project management. We will later use this segmentation in the inside-out analysis to identify the relative importance of resources and capabilities for each strategic group.

5.2. The industry from the inside-out perspective

In this section we aim to analyze the industry using the resource-based framework. We first identify the key resources and capabilities of the chosen companies, assess their relative importance, and based on this identify the key profitability driving forces.

5.2.1. Strategic resources

Brand

In our study of the industry we have identified brand as the most important resource, both from our perceptions and responses from interviews. The most frequently mentioned examples among the interviewees were Wenell with the strong connection to project management, Mercuri International for sales leadership and IFL for higher-level management. Such strong recognition of certain brands by the customers and even competitors puts companies with strong brands into superior position compared to competitors whose brand image is more diffuse.

Theoretically, an incumbent company should invest relatively less resources in brand building than the newcomers. In the case of Swedish leadership education industry, we can however observe a different pattern where some of the big and old companies are still investing heavily in advertising, particularly IHM and FEI. We connect this fact to the desire of the companies for continuous growth. This is though not the industry-wide phenomenon and we will later address it in discussion about strategic groups.

The importance of the brand is also supported by the fact that in most cases, and especially in the situation of first purchase, the customers are attracted by the company's brand and not by the "brands" of individual consultants. However, when the companies do repeated purchases, the role of consultant becomes more important and influences the overall reputation of an education partner. Apart from external brand development, the importance of strong internal brand is represented in employer's attractiveness and power for potential employees. In other words, the stronger the brand is, the more willing the people would be to work under the company's umbrella.

We see brand as highly relevant and durable resource, since the costs associated with brand building last over a long time period. But for this same reason brand becomes very difficult to replicate, since the amount of other resources that competitors need to put into building their respective brands can be significant. And more so the later the competitor enters the market, because brand building is a very time consuming effort and is a relative measure to other brands in the market. Hence, the brand becomes and effective isolating mechanism being an excellent early-mover advantage.

We have identified three major reasons for why brand is a crucial resource. First of all, there are several strong brands associated with certain education types. Secondly, in the process of decision-making of which vendor to use at least for the initial purchase brand acts as an important determiner of companies' choice. Finally, a strong brand increases employer attractiveness on the labor market making it possible for a company to get access the best human assets.

Reputation

We have come to conclusion that reputation of a company in the marketplace is the significant early-mover advantage. The positive experience of a company's services makes consumers reluctant to switch to competitors, since the customers are uncertain if the new players' offers will work. This view was supported by Ulf Bengtsson, CEO/MD of Wenell, who thinks that the excellent reputation of Wenell is one of the key factors for the company's success. On the other hand, there is a clear difference between brand and reputation. The former can be acquired by investments into various marketing activities and requires considerable financial assets. Reputation though can only be developed in the process of continuous interaction with the customers and their evaluation of the education programs' quality.

Another proof of companies' awareness of the importance of reputation is the satisfaction guarantee they give to their customers: any unsatisfied participant will be given an opportunity to attend a similar or replacement course free of charge. However, on the contrary to Klein and Leffler (1981) research, we see the guarantees as the complements or tools to improve reputation, rather than the substitute for it. Evaluation of companies' programs is another instrument to screen the changes in attitude towards the company. All the respondents mentioned that there is a trend towards development and wider application of new evaluation methods that will allow getting feedback both from participants and companies sides.

In the process of analyzing the importance of reputation as a resource, we have realized that it consists of two parts. The overall reputation of a company reflects the customer's perception of the quality of education in general making this resource valuable, but not scarce. So this resource is required to be successful on the market, but is definitely not sufficient. On the other hand, the reputation in a particular niche area is something that requires a company to specialize, like Wenell did in project management. Then reputation becomes rare and difficult to imitate, as the competitors will have to change their strategies dramatically. Hence, this kind of reputation becomes one of the key sources of competitive advantage.

Reputation and brand make it possible for customers to reduce the level of imperfect information about the educational service provided. And therefore they are very important factors in customers' selection process, since they are the best way to assess the quality of the service prior to purchase. The value of reputation also depends on the type of it – generic overall reputation of a company is less valuable than the reputation in a certain area.

Human resources

The industry is characterized by extensive usage of human resources, particularly teachers. They have multiple responsibilities: they develop, produce and deliver courses in all interviewed companies. Moreover, in such companies as Mercuri International and Wenell teachers are involved in the sales process as well. This makes the educational companies dependent on their employees. In order to decrease this dependence companies use a number of instruments: they own the copyrights for the courses and usually assign two or more consultants for the same task to make sure it goes uninterrupted in case one of them decides to leave the company.

The main difference between companies' approach towards human resources management is the form of employment of teachers. Several companies, like Wenell, Mercuri and Mindset, employ their consultants on a full-time basis, while others decided to use the scheme of contracting external consultants.

The major advantage associated with full-time employment is that level of engagement of consultants with the company is much higher. This leads to better interaction and interconnectedness between employees and the company as well as giving a feeling of belonging to the company. The knowledge accumulation and transfer also functions much more effectively under these circumstances.

The downside of full employment is the lack of flexibility in the periods of high market fluctuations when the company cannot deploy the existing human assets effectively. However, Wenell has found a way to tackle this problem by temporarily employing additional consultants in the periods of demand increase and devoting some of the permanent workers to program development and improvement during the downturn.

In summary, there is no doubt about the importance of teaching human resources in this industry, since all aspects of operations are dependent upon the people in the company. Human resources are, thus, relevant and valuable resource, though not very scarce or immobile. Education providers face a dilemma when choosing what type of employment to pursue, because each of them has its pros and cons. Based on our analysis, most probably the size of the company will be a key determinant of which way to go: smaller companies will employ the big part of the workforce, whereas large ones will sacrifice the level of engagement for flexibility and contract the consultants according to their needs.

Organizational structure

Closely linked to human resources is the organizational structure. During the research of the chosen companies we have come to the conclusion that it is an intangible barrier to imitation that Dierickx and Cool (1989) terms as "social complexity". It means that a company possesses an inimitable socially complex environment, including "interpersonal relations of managers in the firm, and the relationships between the firms' managers and those of its suppliers and customers" (Besanko et al., 2000).

We have identified two types of organizational structure based on the task distribution between consultants and other departments in the company:

The first group is represented by the companies where consultants perform almost all the tasks, including sales and marketing. These companies are partnerships by the form of ownership and are very similar to traditional management consulting companies. Such structure assures an effective connection between various functions in the organization. The information acquired in the process of intensive contacts with customers is transformed and used in the development process of educational programs resulting in continuous improvement of courses according to customers' demands. Apart from that, due to the very high level of involvement the customers perceive education companies as partners, rather than suppliers, which leads to better information flow between the companies and the increased degree of trust.

The other type of organizational structure, found typically in the bigger companies in the industry, is very similar to traditional forms with separate sales, marketing and program development departments. The main advantage of this approach is that a company has specialists involved in all of its activities. But while some companies, like Företagsekonomiska Institutet, managed to put all the functions into effective and responsive system, others reported serious troubles in coordinating the departments. One of the companies, which wished to remain anonymous, has encountered severe misalignment of its sales, marketing and program development departments. This company has by now realized the negative results of such an unhealthy structure and therefore they are currently working on improvement of effective cross-functional linkages.

Applying VRIO analysis of organizational structure, we think that it is more difficult to duplicate the "all-in-one" structure for two main reasons. First of all, this type of organization is very socially complex and is developed over a longer period of time. Secondly, what is very connected to human resources, we have found that companies have difficulties in finding employees who are able to effectively perform all the required tasks of teaching, sales, etc. On the other hand, the other organizational structure eases the recruitment process, but is much easier to replicate by competitors.

In sum, we have identified two organizational designs: "all-in-one", where consultants conduct program development and sales, and a "departmentalized" structure with separate functional units. The choice of particular organizational design is largely determined by the size of the company: smaller companies find it more efficient not to create unnecessary bureaucracy and larger players require more structured operations. During our analysis we found well-functioning examples of both organizational designs. But departmentalized structure requires efficient coordination between functions to adjust to changing customer demand and the latest trends in managerial science.

Financial resources

As previously described, there are no requirements for substantial financial resources for industry entry and smaller-scale operations. However, as the companies grow, the need to launch large marketing campaigns significantly increases together with administrative expenses. Therefore, we can conclude that majority of education providers do not require large financial assets, but for the four largest players their availability is necessary.

5.2.2. Capabilities

Program development

As we have described earlier, human resources play considerably important role in this industry. But we would like to highlight the importance of functioning product development in the company. As Peter Boström, marketing director of Gällöfsta, put it, "human factor is very important, but the product has to win the market and become known to its potential customers". This point of view is also strongly supported by Wenell's CEO Ulf Bengtsson, who identifies company's program development process as one of the major capabilities. Wenell has developed a well-known product – Applied Project Management, which is based on customer cases and fifty years of experience. There is also very good example of importance of program naming: the case with the program for newly appointed managers in MGruppen, according to Kenth Dejenstam. He said that the sales increased twofold when the company changed the name from "Leadership for future managers" to "Leadership for recently appointed managers", because it better represented the target group for the company.

Here we have to stress, that the program development in itself is not an important capability – it is the development of the programs that establish themselves in the market what counts. Therefore, if a company owns its own successful program, this capability becomes not only relevant, but also scarce and difficult to imitate. On the other hand, the complexity of replication decreases, since the companies sometimes purchase the well-established programs from the third parties.

The prevalent part of programs in the industry is developed in-house by consultants and teachers in cooperation with marketing and sales departments. However there are some minor exceptions, e.g. Gällöfsta and Lectum Lexicon, when it comes to the usage of certain methods and parts of programs that are bought from external suppliers. In the process of program development considerable attention is paid to programs' continuous updating and adaptation to the latest trends in the leadership science.

Flexibility
We have identified two different types of flexibility, which is a valuable capability in the market. This typology is connected to companies' size and nature of operations. Smaller and more specialized companies try to increase the level of flexibility with the help of more frequent course starts to accommodate their customers' demand for desired time. Good examples of this would be Wenell and Gällöfsta that offer respectively 80 and 60 course starts per year, i.e. a participant can join a course any week in the year. This is particularly important for large customers, because they need to spread participation time points throughout the year so that many employees can join the program without disturbing their work process. Apart from the positive sides, this also puts pressure on sales force to ensure high occupancy rate.

Larger and more diversified companies offer flexibility to their customers through higher program variety. They are able to provide complex solutions in different areas of leadership, such as strategy, communication, personal development, etc. Customers are able to decrease their transaction costs since they are enabled to make a "one-store-purchase" and do not need to spend their resources on compiling the demanded program on their own. In other words, all necessary competence exists in-house. However, we have to add that even smaller companies try to increase the flexibility of their offers in the same way by building temporary alliances with specialists in the areas that are outside of their core competencies.

Relationship management
As our previous analysis has shown, the switching costs for buyers of managerial education are virtually not existent. Therefore, education providers cannot put any monetary restrictions on customers' ability to shift to a different supplier and have very limited opportunity to increase customers' dependence on certain educational company's theoretical and methodological models. Thus, they strongly rely upon development of relationships based on long-term cooperation and trust. All interviewees stated that they would rather be educational partners than just suppliers. This implies a strong focus on efficient management of these relationships with the aim of enhancing their sustainability over time. Since the process of relationship development is a lengthy procedure, companies that have been in the market for a long time gain competitive advantage. However, according to Luba Lokner, marketing director of Mindset, the relationship management is limited in open programs due to lower degree of interaction between the education provider and their customer. Companies overcome this liability by transfer of relationship assets gained from customized solutions to open programs. Therefore, the marketing function, which is situated closest to the customers, has to work hard on the establishment of strong relationships with the clients.

From the VRIO perspective, relations are not only valuable, but also scarce and hard to imitate. The company cannot have close relationships with all its customers, since the relationship building process is very costly. The same is true for the buyers – they would be reluctant to have close connections to all the vendors. So, given the limited number of buyers, the resource is definitely scarce. Since each relationship is unique, it is impossible to imitate it, which further enhances the value of relationship building as a firm capability.

Operational efficiency
The analysis of companies' financial information has shown that operational costs constitute higher proportion of revenues in larger companies than in their medium-sized counterparts. Big players spend considerably more on marketing and administrative activities without corresponding increase in revenues. This leads us to the conclusion that some of the companies experience a phenomenon of diseconomies of scale meaning that there is an optimal size for the managerial education company. After a certain point, which we estimate at around 50 MSEK in turnover or 20-25 consultants, the growth does not produce results higher than resources spent on it. Wenell's Ulf Bengtsson has also stated a similar idea, saying that he is worried that when the company gets bigger, it becomes more difficult to make it profitable due to control complications and worsening of organizational climate.

The marketing and advertising costs are also tightly intertwined with the company's design of promotion campaigns. Whereas larger companies employ various resource-consuming advertising instruments like press and public transport campaigns, the smaller players concentrate on relationship building programs in form of seminars, theme days and mini-conferences. For example, Wenell organizes events like "Meet Wenell" and "Arena Project", where existing and prospective customers are gathered together and informed of the company's news and programs. Gällöfsta employs a similar approach by offering its customers breakfast and lunch informational meetings aimed to relationship improvements in a less formal environment.

Operational efficiency is often difficult to be imitated by the competitors because it is very hard to identify what exact measures led to increase in a company efficiency being an outside observer. Even if the competitors realize that the size of the company is the driver of operational efficiency, it would be very difficult for them to know exactly what the optimal size is and to quickly adopt it.

Differentiation
Our observation of the educational catalogues has clearly shown that the titles and very often the content of the courses offered by different companies are nearly the same (see Appendix 4). This observation was supported by many of the respondents who see the process of standardization as one of the most crucial problems that the industry is facing. There is a risk that educational programs can become commoditized making it almost impossible to differentiate market offers. Currently, one of the ways to differentiate is brand and reputation. Customers are attracted by well-known brands as well as their positive previous experience of education quality. Another way is to specialize in one narrow sphere, like Wenell does in project management. This leads to customers' better perception of service' quality due to supposedly higher level of specific competence.

Since differentiation is a combination of many other resources and capabilities (such as brand, reputation, specialization, etc.), it inherits the features of its components.

5.2.3. Assessing the relative importance of resources and capabilities
We will now compare the importance of identified resources and capabilities for various strategic groups derived from the outside-in analysis and described in section 5.1.5. This

is our subjective perception of performance, based on the examination of companies included in each strategic group. We will later use this analysis to identify key profitability drivers for the companies in the industry.

As previously identified, there are three different strategic groups in managerial education industry in Sweden: large players with wide array of offerings, medium-sized companies with diversified product portfolio and medium-sized specialized players. We have identified that for different groups, the importance of certain resources and capabilities varies significantly:

Table 5.1. The relative importance of resources and capabilities across strategic groups

Resource/Capability	Group 1	Group 2	Group 3
R1. Relationship management*	5**	5	9
R2. Advertising/Brand management	7	8	3
R3. Human resources	6	6	7
R4. Organizational structure	5	6	5
R5. Financial resources	4	4	2
C1. Assortment flexibility	7	7	1
C2. Frequency flexibility	6	5	8
C3. Operational efficiency	8	6	5
C4. Product development	6	6	6

* R stands for "resource", C for "capability"
** The scale is 1 for the least important, 9 for the most important

R1. Relationship management: The analysis of interviews conducted with companies from different strategic groups led us to the conclusion that smaller specialized companies build their marketing strategy on the development of the close relationships with their customers. Relationship management also drives reputation improvement, whereas advertising rather increases awareness of the company (Blackwell et al., 2005).

R2. Advertising/Brand management: On the other hand, companies offering a broader selection of programs rely heavily on advertising to attract their customers. Due to the similarity of content offered by these companies, the main way to differentiate for them is to invest into development of their brand equity using various advertising channels. An exception in this group would be Mercuri International, which focuses more on relationship aspects.

R3. Human resources: In general, human resources play a similarly important role for companies in all three groups. We gave a higher grade to group 3 since these companies employ their consultants and are more engaged with them. The rest of the companies (Mercuri being an exception) contract consultants on a project basis.

R4. Organizational structure: We have found that many of the companies included in the second group were in the process of development a more definite organizational structure. They have realized that they could not effectively manage the ever-increasing complexity of operations with the traditional system where consultants act as salesmen and program developers.

R5. Financial resources: In general, unlike many other industries, management education companies do not require significant financial resources due to lack of any capital investments. However, many of the companies that pursue advertising strategy do require funds to fuel it.

C1. Assortment flexibility: The companies with broad variety of offerings are very dependant on their ability to provide complex "all-in-one" solutions for customers implying that many courses have to be developed.

C2. Frequency flexibility: The specialized companies make an attempt to accommodate customers' demand for flexibility and at the same time increase number of participants by starting programs very frequently.

C3. Operational efficiency: The larger companies in the industry tend to have more overhead costs, what we explained by diseconomies of scale. Therefore, companies have to enhance the effectiveness of the invested resources in order to increase their financial performance.

C4. Product development: We were not able to identify any significant differences in the importance of the product development for various strategic groups. All the respondents highlighted significance of the company's ability to improve existing and deliver novelty products following the current trends.

The analysis of resources and capabilities of companies in the managerial education industry has clearly demonstrated the dominant role of intangible resources. Relationship management, advertising and branding are positional resources as described by Hall (1994). Whereas, human resources, operational efficiency and both types of flexibility reflect the know-how of managerial education companies, i.e. functional skills. Finally, product development belongs to cultural skills showing companies ability to innovate and change.

5.2.4. Key profitability driving forces

As a result of inside-out analysis we have identified a number of factors, which are required for a company to successfully compete in the marketplace:

- *Reputation and brand:* crucial factors to attract customers due to extremely imperfect information about the service – customers cannot anticipate the quality in advance. Excellent sources of first-mover advantage.
- *Size:* a company needs to be large enough to serve corporate customers and to offer either assortment or frequency flexibility demanded by them.
- *Operational efficiency:* due to very low margins, the efficiency of operations is required to stay profitable.
- *Organizational structure:* as the majority of the companies adopted functional structure fairly recently, the effective coordination of activities becomes crucial to reflect the market demand.

Even though human resources and program development are very important resources, all of the companies have managed to succeed in achieving necessary level suitable for their operations. However these do not provide competitive edge.

6. Comparing the results of applying the two approaches in practice

In this section we attempt to elaborate on our primary purpose: to compare the results derived from two different approaches to strategy analysis, industry analysis vs. resource-based view, and examine whether the two approaches could be used separately from each other or act as compliments. Following the discussion in section 3.4, there is an ongoing debate on the differences between the industry analysis and resource-based approaches on a conceptual level. In our paper we add another dimension to this dispute by presenting the comparison of practical results derived from the application of these strategic analysis tools.

Figure 6.1 summarizes our findings and will serve as a basis for further discussion.

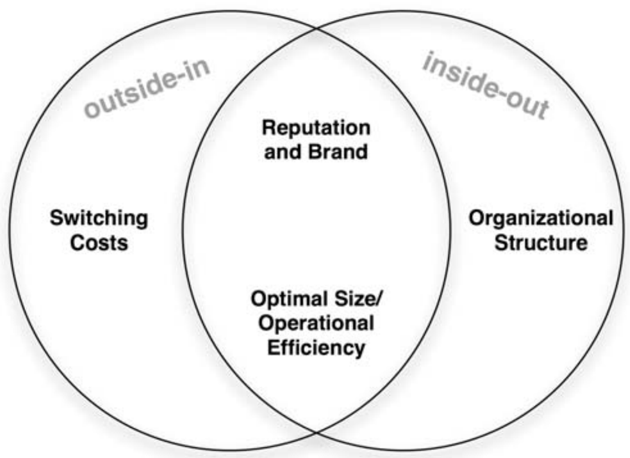

Figure 6.1. Summary of the results of conducting outside-in and inside-out analyses

Starting from the common factors, the reputation and brand are clear key driving forces derived from both outside-in and inside-out approaches. Another very similar factor is size in connection to operational efficiency, which was described as one integral piece in outside-in analysis and as two complementary factors in inside-out. The differences between the two approaches lie in identification of specific factors: switching costs in industry analysis and organizational structure in resource-based view.

The different units of analysis of the two approaches (industry in outside-in and company in inside-out) explain the possible variations in identification of key success factors. Switching costs is one of the primary tools to decrease the bargaining power of buyers from the five forces point of view. This or similar factor would be highly unlikely to show up in the inside-out analysis, because the whole industry together with its buyers and suppliers needs to be studied to identify this factor. In contrast, the company-specific resource, like organizational structure, can only be found from the analysis on a company level.

As the industry is the same, there is the possibility that the same factors can be seen when viewing from both points. Reputation and brand can both be seen as an entry barrier (using Porter, 1981 definition) and as isolating mechanisms in the form of early-mover advantage (Besanko et al. 2000). They both are used to prevent the newcomers from entering the industry and as a crucial means to attract and sustain customers. The size from the industry structure point of view also corresponds to the issues of cost efficiency and size-derived flexibility identified in the resource-based analysis.

This leads us to the conclusion, that the industry analysis and resource-based view can in most aspects be seen as the two sides of the same coin. On the other hand each approach makes it possible to define unique key success factors that lie outside of the other approach's sphere. Our experience shows that in order to achieve the most precise and multidimensional understanding of strategic processes, one needs to conduct both kinds of analysis.

7. Conclusion

The research on strategy analysis is comprised of two major approaches: outside-in, which is largely based on the framework developed by Michael Porter, and inside-out, where the overall concept was introduced by Jay Barney, but the tools are numerous and none of them is dominant. The fundamental difference between the two approaches is the unit of analysis and the basic assumptions behind each method. The outside-in approach takes a view of the whole industry and the starting point is that industry structure is the determiner of firm profitability. The proponents of inside-out approach on the contrary see company itself and the resources and capabilities as the key force for success.

On the academic level these two approaches were opposed to each other and the supporters of respective concepts criticized their counterparts. Porter was arguing that RBV is an integral part of the industry analysis, since the resources in and of themselves are not valuable if they are analyzed outside of the industry context. Barney, however, accuses the IO scholars in simplification of reality arguing that the companies and their resources are not homogeneous and not perfectly mobile. Though, all this debate was going on only on the theoretical level, without discussing the applications. We have decided to compare the results of applying the two approaches in practice to fill this gap in strategy knowledge.

We have chosen the Swedish managerial education industry as the object of our research due to various reasons, in particular because it represents a clear-cut case of services industry and has not been studied before. The design of our study has allowed us to conduct two separate analyses to identify the key success factors in the industry and determine the key profitability driving forces. We present the results in table 7.1.

Table 7.1. Results of the two analyses

Industry analysis	Resource-based view
Key success factors: - Optimal size - Reputation and brand - Switching costs	**Key profitability driving forces:** - Reputation and brand - Size-related operational efficiency - Organizational structure

As we can see, on the practical level the main results of the two approaches are very similar. What was meant under optimal size (diseconomies of scale related to growth) is in a similar way reflected in operational efficiency in the inside-out analysis (disproportionally high increase in operational costs connected to growth). The appearance of switching costs in outside-in and organizational structure in inside-out is the direct consequence of the different units of analysis of the two approaches.

Even when looking at this from the purely theoretical perspective we have found the interdependence of the two approaches, for example the very similar nature of entry/mobility barriers and isolating mechanisms. But after conducting the empirical study of an industry, we can state that the results of the applications of these approaches have even more in common than it was evident on the theoretical level. We conclude that strategic analysis of the industry requires examination of both industry structure and firm's resources and capabilities, since they are complimentary tools. "In" in outside-in analysis smoothly progresses into "in" in inside-out and back, rendering the two approaches extremely interconnected.

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Appendix 1. The five forces model

Rivalry Among Competitors
Competition among the established firms very often determines the overall state of competition and profitability level in the industry. As Porter puts it, companies are jockeying for a position in the industry. The instruments used in this process may vary from purely price-based to those focusing on advertising, innovation and other non-price dimensions (Porter, 1980).

Seller concentration is the first factor determining the nature and intensity of competition. This is the analysis of number and size distribution of companies within defined industry. The concentration ratio can be estimated by studying the combined market share of several largest players, Caves (1992) suggest using four companies. This is tightly connected to the pricing mechanisms in the market: the higher the concentration, the easier it is to coordinate prices and more difficult to initiate price cuts.

Diversity of competitors is another factor influencing price competition. Diversity, according to Grant, includes companies' origins, objectives, costs and strategies (Grant, 2005).

The degree of *product differentiation* distinguishes substitutability of companies' offerings. If the existing products are similar to each other a company may choose to increase its sales by cutting prices, since a customer may be willing to search for a cheaper alternative. In an extreme case, when the products are commodities, the price acts as the only source of competition.

There are costs that occur when a company makes decision about leaving the industry, so called *exit barriers*. Their magnitude depends upon the nature of resources, i.e. their durability and the level of specialization. Oftentimes, it can not only be sunk costs from capital investments in physical or intangible assets, but also other factors like social responsibility or job protection legislation.

Threat of new entrants
The reason for analyzing the new entrants is that every new entrant supplies additional capacity to the market, is willing to gain market share and consumes a part of resources. The possibility for new companies to enter the market is constrained by the set of entry barriers:

- *Capital requirements* for establishment in the industry can be an important obstacle for the newcomers provided they are considerably high.
- *Economies of scale* imply that the companies that cannot enter the market on a large scale will suffer significant cost disadvantages, since they will have to either accept high unit costs or the risk of underutilized capacity.
- *Product differentiation* forces new entrants to invest in weakening of incumbents' brands and customers' loyalty towards them. It implies that a newcomer faces a need to spend heavily to catch up with the established companies. Alternatively, newcomers may occupy niche positions in the market or compete by cutting prices.

Bargaining power of suppliers
The way suppliers to the industry can impose their buying power on the players is by raising prices or reducing the quality of the product. They may be able to squeeze profitability of an industry unable to recover cost increases of its own prices (Porter, 1980). The level of power experienced by supplier depends on the following factors:

- Suppliers concentration both in absolute terms and compared to concentration of industry in focus
- The scope of product uniqueness and differentiation
- Associated switching costs when changing a supplier
- Threat of forward integration
- Share of the industry in focus in suppliers' total sales

Bargaining power of buyers

The factor behind the bargaining power is the possibility to refuse to deal with the other party and the relative cost for each party associated with unconsummated transaction (Grant, 2005). The following factors influence the level of buyers' power:

- The level of concentration and volumes of their purchases
- The scope of standardization and differentiation
- The share of industry's products in buyers' total costs
- Buyers' profitability
- The level of dependence of quality of buyers' products on quality of the industry products
- Threat of backward integration
- The degree to which information is perfect

Substitutes

Substitute products limit industry's possibility to control the prices and the overall potential of an industry. If the industry is not able to offer superior quality or in some way differentiated product, its earnings and growth will be negatively influenced by substitutes. According to Porter, it is strategically important to pay considerable attention to substitute products that tend to improve their price performance trade-off with the industry's product or are produced by industries earning high profits (Porter, 1980).

Appendix 2. The modified VRIO framework

Barney (1994) introduced the VRIO framework for analyzing resources and capabilities. VRIO stands for Valuable, Rare, costly to Imitate, efficiently Organized resources and capabilities. This framework was later developed and expanded and we use the version presented by Grant (2005). He identifies three factors that determine company's possibility to extract profits from its resources and capabilities. A resource or capability has to be able to establish a competitive advantage, to sustain that competitive advantage, and to appropriate the returns on that competitive advantage (Barney, 1991).

Establishing competitive advantage

Scarcity. The resource can be essential for competing, but if it is widely available throughout the industry, it definitely is not sufficient for gaining a competitive advantage.

Relevance. Another attribute of a resource or capability is its relevance to the key success factors in the market. Only in case when a resource or capability can be connected to particular value creating or surviving factor, is it valuable.

Sustaining competitive advantage

Durability. The period during which a resource or capability is valuable for the company is also a very important factor, since the more durable ones can become a more secure basis for competitive advantage.

Transferability. The level of resource or capability transferability – the extent, to which it is mobile between companies, can also characterize a resource or capability. If a competitor is able to buy or very easily acquire particular resources, the competitive advantage will be very short-lived.

Replicability. The degree of complexity for a rival to build particular resource, in case they are unable to buy it, also influences the sustainability of competitive advantage. "Even where replication is possible, incumbent firms may benefit from the fact that resources and capabilities that have been accumulated over a long period are less costly and more productive than the same assets that have been accumulated quickly by would-be imitators" (Grant, 2005). Dierickx and Cool (1989) identify several sources of incumbent advantage from accumulated stocks and capabilities:

- Asset mass efficiencies occur where a strong initial position in technology, distribution channels, or reputation facilitates the subsequent accumulation of these resources.
- Time compression diseconomies are the additional costs incurred by imitators when attempting to accumulate rapidly a resource or capability. Thus, "crash programs" of R&D and "blitz" advertising campaigns tend to be less productive than similar expenditures made over longer period.

Appropriating the returns to competitive advantage

One more issue concerning competitive advantage is who gains the return generated by the resource or capability. This is particularly relevant for the knowledge-intensive companies, since the ownership of knowledge resources is oftentimes vaguely defined. A company might lose the competitive edge if key employees leave the company to be employed by competitors or to initiate their own start-ups.

The less precisely the ownership principles are defined within the company, the higher the importance of the relative bargaining power of the company and its employees. Consequently, the more embedded the individuals' skills are with organizational routines, the less is the importance of the employee for the firm and therefore his or her bargaining power is lower.

Appendix 3. Interview guides

Interview guide for outside-in analysis

Rivalry

How would you define the industry of your company?
Who are the main players and which of them you see as your competitors?
What are the main competitiveness factors?
Do you think the offers in the industry are diversified?

Potential entrants

What are the entry barriers to the industry?
Discuss the mentioned barriers (brand, reputation, capital costs, etc.)

Power of buyers

Do you think that the offers are standardized in the market and to what degree?
Does it cost for a customer to switch to other supplier? If yes, what are the switching costs?
How do you handle the imperfect information?

Power of suppliers

What are the suppliers? How many are they?
Are they substitutable and if yes than how much it would cost?
What is the employment strategy? Do you employ or contract the workforce?

Substitutes

Would you consider internet-based education as an emerging substitute?
Do consulting or headhunting companies pose a threat of substitution?

Interview guide for inside-out analysis

Resources and capabilities

What are the resources and capabilities for a company to be successful?
Which of them are the most important?
In which of them is your company strongest?
What do you think the customers' current wants and how will they change in the future?
Do you pursue acquisitions or alliances strategy?

Organizational structure

How is the company organized internally?
What role do the consultants perform themselves and what roles are performed by others?
How would you describe the organizational climate?

Promotion

What promotional measures do you mostly use?
What is the share of marketing in the company budget?

Product

How would you characterize your product portfolio?
What does your product development process look like?
Do you own the programs developed by your employees?

Appendix 4. Company profiles

Company: Företagsuniversitetet AB
Established: 1985
Turnover: 65 MSEK

FU offers a broad assortment of courses with the focus on every day possibilities on operational level. Lower middle managers and middle managers from a very wide range of corporate customers participate in courses. Companies from some industries have become core customers: real estate, securities, as well as municipalities and state. Teachers are chosen from a database of external consultants.

Courses:
Working Environment
Assistants as coordinators
To work as an external consultant
Coaching in leadership
HR Assistant
Communicative leadership
To lead and motivate employees
Salary talks
HR Management Program
Applied Leadership
Project Management
Prima Vista – methods for effective communication
Security Management
Security Coordinator

Company: Gällöfsta Utbildning AB
Established: 1995
Turnover: 30 MSEK

Gällöfsta offers courses within so-called "soft area" of managerial education (communication and personal development). The methodology behind the education is the analysis of underlying processes behind various organizational problems and finding the practical solutions. They target large and middle-sized companies. Major part of teachers consists of external consultants.

Courses:
Team Leadership
Situation-adjusted Leadership
Leadership for Recently Appointed Managers
Conflict Management
Leadership of Change
Crisis Management

Company: IFL vid Handelshögskolan i Stockholm AB
Established: 1985
Turnover: 93 MSEK

The programs and courses have relatively strong academic focus and biased towards strategic management. The company offers degree programs, open programs as well as customized solutions. The customer group consists of large international corporations and public institutions. IFL's teachers have advanced academic degrees (SSE professors), some of them with well-known names. The company's primary target is executives and higher middle manager. There are also a number of specialized programs for insurance industry, public sector, real estate and construction and health sector professionals as well as MBA program. Some courses are given in Brussels.

Programs:
Public Sector Management Program
Exploring Global Leadership
SBL-Program (for real estate and construction industries)
Operative Leadership Program (for recently appointed managers)
Management Development Program for Health sector
STD-program for consultancies
Executive Management Program

Courses:
A manager and a Woman, Project Management in Modern Organizations, Develop your company, Corporate Leadership, Leadership development for middle management in public sector, Integrated Leadership, Leadership through personal development.

Company: IHM Business School AB
Established: 1987
Turnover: 149 MSEK

IHM aims at updating participant's knowledge on recent developments in management science and their practical implementation. Historically the customers have been from marketing and retail industries. The company tries to broaden its customer based by attracting more participants with university degrees. The assortment includes relatively new courses in various leadership issues, so called IHM Master. The company offers even an MBA program in cooperation with Henley Management College. IHM uses a database of independent consultants (250-300) who work on a project basis.

Courses:
Key Account Management
Sales and Marketing Leadership
Managing Operations
Project Management
A business-minded Project Manager
Market and Communication Coordinator
Strategic Brand Management
Internal Communication
Integrated Communication
Accountant Program

Company: Lexicon AB / Lectum AB
Established: 1997
Turnover: 175 MSEK

Lectum Lexicon's programs are very unique educational techniques intensive: GRID, SOL, Knowledge theatre and individual coaching. Some courses are offered in cooperation with Umeå Business School so that participants can obtain university credits. Customer base includes the most MNC with Swedish origins. Company covers a broad geographic area in Sweden (23 branches) and abroad (37 representatives in different countries).

Courses:
Coaching in Leadership
To lead and to manage the process of change
Team working
Applied Leadership
Applied Project Management
Rhetoric
Personal effectiveness
Effective meetings
Stress and conflict handling
Courses in Customer Service and Sales
Cross Cultural Communication
Learn Swedish and about Swedes

Company: Mercuri International Sverige AB
Established: 1987
Turnover: 93 MSEK

Mercuri is an international company with operations in more than 40 countries. Courses are largely concerned with practical implementation of theoretical concepts learned before (blended learning). Individual and group coaching is often used. Mercuri offers degree programs in cooperation with Umeå Business School. The company aims to target large companies (20/80 rule) where smaller companies usually buy sales training. Pharmaceutical companies, finance and banking industries are the core clients. Mercuri International employs all its consultants who perform sales function as well.

Courses:
Mercuri Sales Leadership
A Recently Appointed Manager
To be a leader, without being a manager
Coaching
Customer Service Management
Change management
Flexible Leadership
A Leader as a Conflict Revolver
Mercuri Management
Development of Group and Leader
To stand being a manager

Company: Mindset Academy AB
Established: 2002
Turnover: 31 MSEK

Mindset is a relatively new player in the market. The company offers a number of courses within various areas: leadership, entrepreneurship, project management, communication and personal development. Mindset is targeting 15 largest companies coming from different industries but middle-sized companies can be found among its clients. Consultants are employed on a full-time basis.

Courses:
Leadership – to lead
Strengthen your leadership
To lead in the process of change
Managerial conversations
Management and Leadership Program
Project Management Program
Project economy
Leadership for project managers
Profitable customer relationships
Negotiation techniques
Rhetoric skills
Presentation techniques
Personal communication
Personal effectiveness

Company: Wenell Management AB
Established: 1987
Turnover: 32 MSEK

Wenell is a specialized supplier of project management education. Both methodological as well as 'soft' issues of project management are included in the assortment. Wenell has developed their own solid framework and all courses are based on real cases. Customers come from companies of different sizes and represent various industries. Consultants are employed and participate in sales and marketing activities.

Courses:
Applied Project Management
Convince as a Project Manager
Project manager, group and leadership
Project Leadership Program

Appendix 5. Selected financial data on the companies in the industry

Table 1. Annual turnover, MSEK. Source: annual reports, Konsultguiden.

Company	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average
Lexicon	210	218	155	63	107	85	117	192	186	175	**151**
IHM Business School	128	129	154	176	221	225	202	192	164	149	**174**
IFL	91	115	125	126	120	120	133	101	90	93	**111**
Mercuri International	129	145	137	103	97	92	85	88	91	93	**106**
Företagsuniversitetet	48	48	57	54	70	81	79	72	66	65	**64**
Sällma	26	42	45	38	42	44	51	50	54	40	**43**
MIL Institute	25	32	44	40	42	32	30	30	35	33	**34**
Wenell Management	14	21	30	34	42	47	42	37	34	32	**33**
Mgruppen	n/a	n/a	n/a	42	60	65	55	28	31	31	**45**
Mindset Academy	n/a	n/a	n/a	n/a	n/a	13	13	16	19	31	**18**
Gällöfsta Utbildning	n/a	n/a	n/a	n/a	n/a	30	34	32	30	30	**31**
Vendator Institutet	28	34	36	48	43	45	31	28	27	29	**35**
FEI	n/a	n/a	n/a	n/a	35	38	39	31	25	28	**33**
Jensen Education	n/a	n/a	n/a	n/a	n/a	n/a	12	16	18	26	**18**
Average:	**78**	**87**	**87**	**72**	**80**	**71**	**70**	**69**	**66**	**64**	**74**
Total:	**699**	**784**	**783**	**724**	**879**	**917**	**911**	**897**	**852**	**829**	**827**

Table 2. Annual EBIT margin, %. Source: annual reports, Konsultguiden.

Company	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average
Lexicon	n/a	n/a	1.3%	0.0%	13.1%	-1.2%	6.0%	6.3%	11.3%	12.0%	**6.1%**
IHM Business School	1.6%	1.6%	3.2%	6.3%	0.9%	2.7%	4.0%	0.5%	-1.2%	-6.7%	**1.3%**
IFL	6.6%	4.3%	5.6%	0.0%	-15.0%	-10.0%	-3.0%	-5.9%	-2.2%	-1.1%	**-2.1%**
Mercuri International	1.6%	n/a	n/a	7.8%	1.0%	-13.0%	-5.9%	-2.3%	1.1%	1.1%	**-1.1%**
Företagsuniversitetet	12.6%	6.3%	8.8%	0.0%	14.3%	11.1%	1.3%	-1.4%	-3.0%	0.0%	**5.0%**
Sällma	n/a	n/a	n/a	n/a	n/a	n/a	9.8%	6.0%	7.4%	0.0%	**5.8%**
MIL Institute	0.0%	3.1%	4.5%	0.0%	4.8%	3.1%	0.0%	0.0%	0.0%	0.0%	**1.6%**
Wenell Management	21.4%	19.0%	20.0%	20.6%	9.5%	14.9%	11.9%	8.1%	2.9%	6.3%	**13.5%**
Mgruppen	n/a	n/a	n/a	0.0%	21.7%	9.2%	-5.5%	-64.3%	0.0%	-29.0%	**-9.7%**
Mindset Academy	n/a	n/a	n/a	n/a	n/a	15.4%	7.7%	-6.3%	5.3%	3.2%	**5.1%**
Gällöfsta Utbildning	n/a	n/a	n/a	n/a	n/a	10.0%	2.9%	0.0%	-3.3%	0.0%	**1.9%**
Vendator Institutet	14.1%	17.6%	0.0%	6.3%	-7.0%	-31.1%	-41.9%	3.6%	7.4%	6.9%	**-2.4%**
FEI	n/a	n/a	n/a	n/a	25.7%	26.3%	15.4%	9.7%	8.0%	14.3%	**16.6%**
Jensen Education	n/a	n/a	n/a	n/a	n/a	n/a	25.0%	31.3%	33.3%	19.2%	**27.2%**
Weighed average:	**4.2%**	**4.0%**	**4.4%**	**4.5%**	**4.3%**	**0.6%**	**1.2%**	**0.0%**	**3.4%**	**1.8%**	**2.8%**