QUALITATIVE VALUE PROFILING: A REASSESSMENT

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ABSTRACT
Qualitative value profiling (QVP) is a relatively unknown method of strategic analysis for companies in international business-to-business settings. The purpose of QVP is to reduce the information complexity that is faced by international companies in dealing with business partners. The QVP method allows the development of 1) profiles of the target country in which operations are to take place, 2) profiles of the buying center (i.e. the group of decision makers) in the partner company, and 3) profiles of the product/service offering. It also allows the development of a semantic scaling method for deeper analysis of all involved factors. This paper presents the method and compares and contrasts it with other similar methods like the PESTELE method known from corporate strategy, the STEEPAL method known from scenario analysis, and the Politics-Institutions-Economy (PIE) framework known from International Business. This comparison suggests that QVP on most accounts provides deeper insights than alternative methods and thus lays the foundation for better strategic planning in international business-to-business markets. Hence, it is a valuable addition to the toolbox of business strategists and consequently, for the advancement of international development. Further use of QVP is recommended and suggestions for future research are provided.

Keywords: *Business-to-Business Marketing, Corporate Strategy, International Business, International Development, Qualitative Value Profiling.*

1 INTRODUCTION

Companies all over the world struggle to analyze their environment as part of their efforts to create strategies for building competitive advantage and profits. The need is especially felt in firms operating in international business-to-business markets where turbulence and complexity present more extreme challenges than elsewhere (Duus, 2013). Over the years several methods have been developed to facilitate an analysis of the environment, the most well-known method being PESTELE, originally developed by Aguilar (1967), which today is found in most textbooks on Corporate Strategy and Strategic Market Management (Aaker, 2014). Other well-known methods are the STEEPAL model found in scenario planning (see Duus, 2015 for a criticism of current scenario methodology) and the PIE method developed by Mygind (2007).

The present paper presents the Qualitative Value Profiling (QVP) method, which was developed some years ago by a research team at Copenhagen Business School in order to facilitate environmental analysis for firms operating in international business-to-business settings. It then compares and contrasts the QVP to the other methods and discusses the implications for business and academia.

This paper proceeds in three steps. First, a brisk overview of the historical, theoretical, and methodological context of the QVP is presented. This overview does not attempt to chronicle all the intricacies of the QVP method. It limits itself to an exposition necessary for setting the stage to compare the QVP method to other similar methods. Second, the QVP is compared to other methods like the PESTELE, the STEEPAL and the PIE. Third, the implications are discussed and conclusions are drawn on how to utilize the method in business and research.

While this paper is purely conceptual, the research presented has developed through the two authors' contact and collaboration with several business firms engaged in attempts to successfully crack the code of entering new markets – no matter whether these are geographical markets and/or new segments. Thus, this paper is firmly grounded in practice and may have relevance for a wide variety of managers from firms spanning all parts of the business world; however, those in the global business-to-business sector may benefit most. In continuation of this, we may follow Drucker (1958) in pointing to the crucial role of marketing as the connecting link between supply and demand in international development efforts. Hence, using the QVP can be of significance for economic development.

Last but not least, a note of caution may be in order. While the QVP dates back more than 20 years, it has only been used sparingly. The reason for this is undoubtedly that the original research was published in Danish rather than in English. Accordingly, the process of rediscovery and use of this method is a gradual one in which this paper represents work of a preliminary nature, which hopefully will be extended with better descriptions, a deeper theoretical background, and extensive empirical examples in the years to come.

2. QUALITATIVE VALUE PROFILING

Qualitative Value Profiling was invented just before the turn of the millennium by a research group at Copenhagen Business School (CBS) in Denmark. This group consisted of more than

a dozen people from both business and academia and the method was subsequently tested by the Danish firm Superfos Packaging International (Nielsen, 1995). It has since been applied by several Danish firms and by hundreds of business students writing practical assignments at CBS and elsewhere.

In its essence, Qualitative Value Profiling is based on three different perspectives that are vital in order to understand and approach a foreign market successfully. Here, a crucial point is that much of the theoretical background was rooted in a behavioralist perspective as originally developed in the beginning of the sixties by Cyert and March (1992) and applied to the discipline of Organizational Buying Behavior in business-to-business markets (Freytag, 2001; Nielsen, Wilke and Bjerre, 2003).

One of the major implications is that within this perspective, we are not analyzing a market situation per se, but rather another company (in a generalized sense, a business partner) and its decision center (a group of individuals in the firm who together make the crucial decisions). In a limited sense, if we are trying to sell products and services to this company, then it is called a buying company and the decision center responsible for making buying decisions is called a buying center. Since most international marketing and management efforts involve dealing with firms (in a business-to-business setting) rather than consumer markets and consumers (which are most often the province of local companies catering to a domestic market), the whole task of analyzing an international "market" situation turns into something completely different (Skousen, 2007). In a nutshell, the necessary analysis will logically involve the analysis of societies, firms, the actual goods, and the conditions for trading rather than the analysis of consumer behavior and consumer issues as is so often seen in more ordinary domestic marketing efforts.

Accordingly, the three different perspectives in QVP are 1) Country Profiling, 2) Decision Center Profiling, and 3) Product/Service Profiling (Nielsen, 1995).
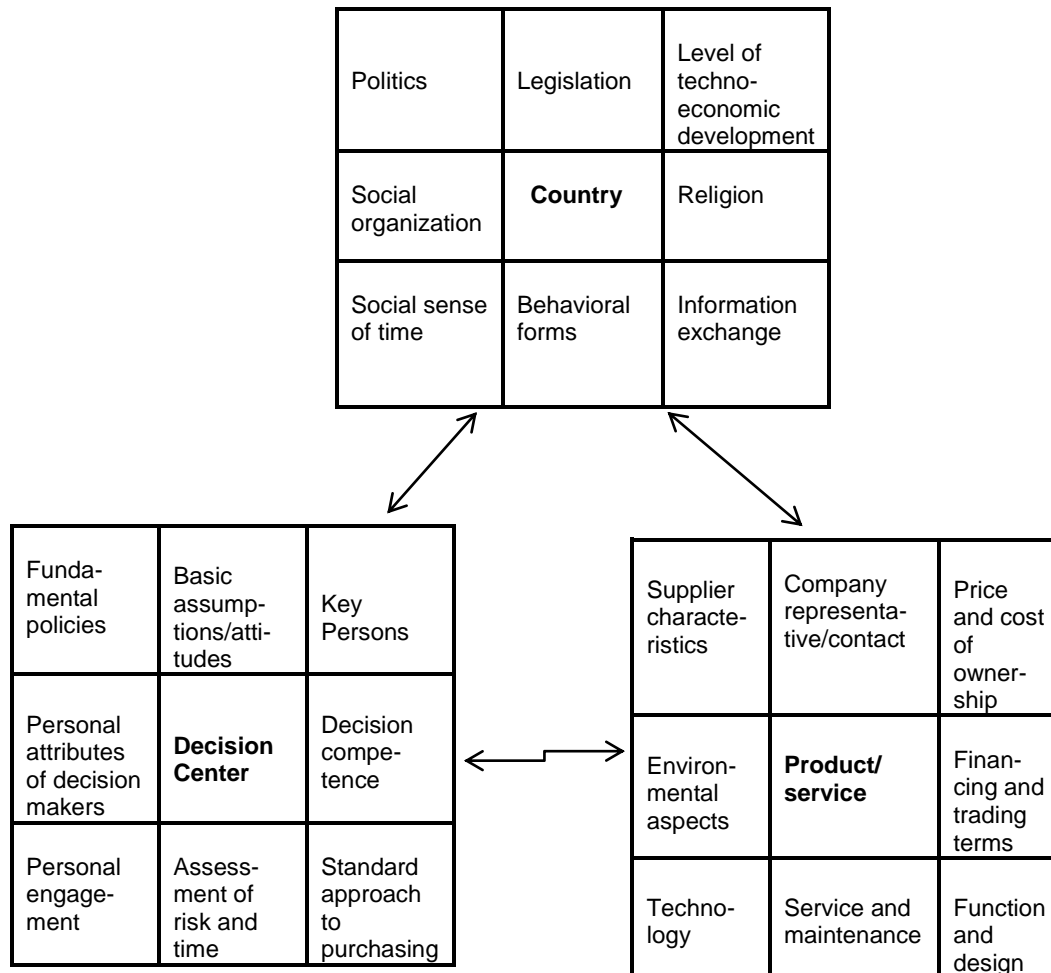
Country Profiling involves analyzing from the macro perspective. It is in essence an analysis of the target country from a bird's eye perspective. It has eight components: politics, legislation, level of techno-economic development, religion, information exchange, behavioral forms, social sense of time, and finally, social organization.

Decision Center Profiling involves analyzing the group involved in making decisions in the "other" company. In a buying situation, this implies an analysis of the purchasing behavior in the buying firm on the basis of eight components: fundamental policies of the company, basic assumptions/attitudes, key persons, decision competence, standard approach to purchasing, assessment of risk and time, engagement, and finally, personal attributes of the decision maker(s).

Product/Service Profiling involves analyzing the actual trade by looking at the product or service exchanged in relation to eight components: supplier characteristics, company representative/contact, price and cost of ownership, financing and trading terms, function and design, service and maintenance, technology, and finally, environmental aspects.

The various forms of profiling and their interconnections are shown in figure 1.

Figure 1: Components and links between the three perspectives (Nielsen, 1995)

Politics	Legislation	Level of techno-economic development
Social organization	**Country**	Religion
Social sense of time	Behavioral forms	Information exchange

Funda-mental policies	Basic assump-tions/atti-tudes	Key Persons
Personal attributes of decision makers	**Decision Center**	Decision compe-tence
Personal engage-ment	Assess-ment of risk and time	Standard approach to purchasing

Supplier characte-ristics	Company representa-tive/contact	Price and cost of owner-ship
Environ-mental aspects	**Product/ service**	Finan-cing and trading terms
Techno-logy	Service and maintenance	Function and design

One of the characteristics of the QVP (not visible in figure 1) is the sheer number of factors to analyze and their relation to each other. These factors are organized according to their lateral interaction (such as the interaction between politics and legislation) and hierarchy (taking subdivisions into account). For example, the analysis of a country (country profiling) involves the area of "politics" subdivided into foreign policy (three sub-factors), domestic policy (five sub-factors), and political risk (three sub-factors). "Legislation" is subdivided into general legislation (two sub-factors) and business legislation (eleven sub-factors). "Level of techno-economic development" is subdivided into education (two sub-factors), technology (four sub-factors), and living standards (four sub-factors). "Religion" is subdivided into life philosophy and world view (one sub-factor focusing on the effect on relevant behavior), religious variations (one sub-factor focusing on strength and importance in a cultural and political sense) and religious behavior (five sub-factors). "Information exchange" is subdivided into general communication (four sub-factors), linguistic variations (three sub-factors), and mass

communication (five sub-factors). "Behavioral forms" is subdivided into human relations (five sub-factors) and basic forms of courtesy (five sub-factors). "Social sense of time" is subdivided directly into six sub-factors. "Social organization" is subdivided into societal structure (four sub-factors) and social groups (five sub-factors).

A full country profiling thus necessitates the analysis of eight main areas, 19 subdivisions, and 78 sub-factors. Analogously, a full company/decision center profiling necessitates the analysis of eight main areas, 19 subdivisions, and 68 sub-factors. A full analysis of the product/service offering exchanged (a product/service profiling) necessitates eight main areas, 26 subdivisions, and 68 sub-factors. Despite the broadness implied by all these areas, subdivisions, and sub-factors – the complexity appears manageable through the hierarchical ordering.

A specific feature of the QVP is the use of a semantic scaling method such as has long been familiar from the discipline of market analysis. Applying the method may require data that are quantitative as well as qualitative; however, it does not require figures in the final analysis, as it is based on evaluations. These are subjective, but if the analysis is done by the same individuals, the bias will be the same. The evaluations are the core of the concept – qualitative value profiling – and the qualitative aspect leaves it up to the decision maker to evaluate when "enough is enough", that is, whether or not you trust and will rely on your own evaluation of the components within the three perspectives.
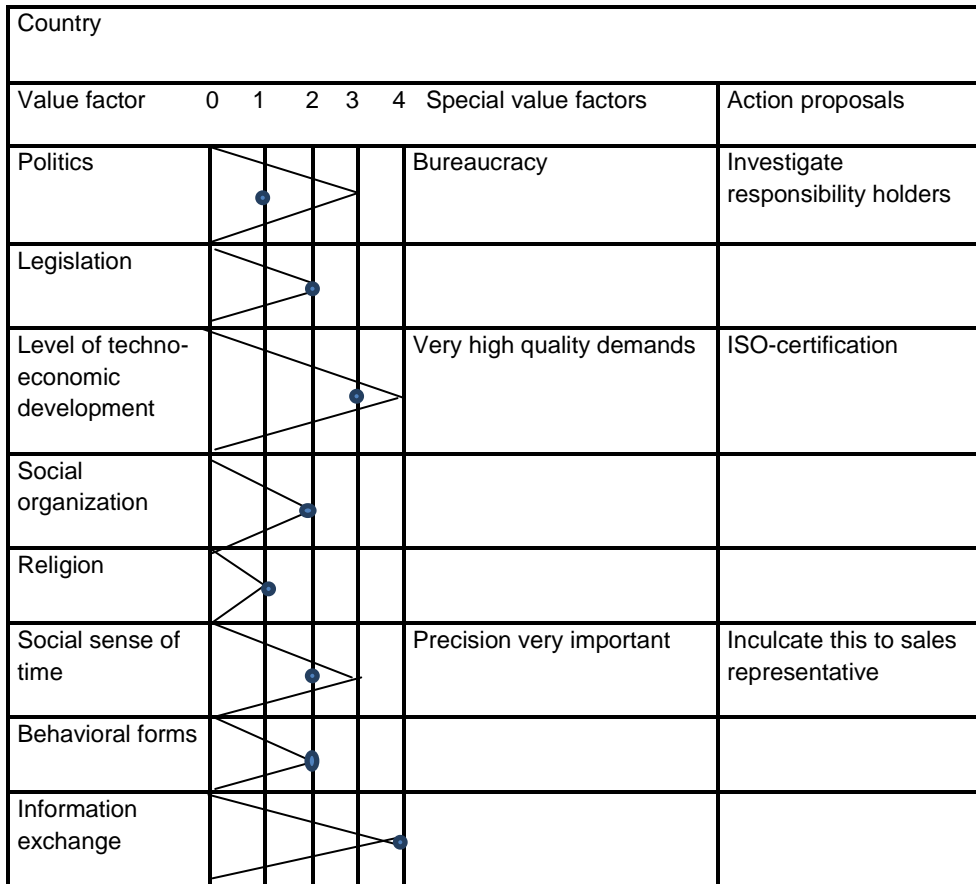
Semantic scaling within the framework of the QVP involves the expression of 1) the importance of the sub-factor (potential problems in country or decision center profiling) or potential importance by key persons in product/service profiling, and 2) the company's ability to handle said potential problems or importance. The implications are that not just problem/importance areas are identified but also strengths and weaknesses of the firm. Semantic scaling is by nature subjective (i.e. done by individuals) but the use of scaling implies that if it is hard to set a value, this may signify a lack of information that must be remedied.

In practice, semantic scaling in QVP methodology consists of five elements.

1) A list of the eight value areas found at the country, decision center, and product/service level.
2) A five point scale measuring the importance of each value area on a scale from 0 (no importance) to 4 (very high importance). A line can be drawn through all areas to indicate the "problem profile" of each area.
3) A point (dot) on the scale indicating the problem handling ability of our company within the area. Deviations from the line indicating the "problem profile" indicate the need to focus here.
4) A field indicating special value sub-factors where our company needs to focus attention.
5) A field specifying action proposals that can remedy the situation.

Figure 2 shows an example of how semantic scaling is used in QVP country profiling.

Figure 2: Example of the use of semantic scaling within country profiling
(Nielsen, 1995)

Country								
Value factor	0	1	2	3	4	Special value factors	Action proposals	
Politics		●				Bureaucracy	Investigate responsibility holders	
Legislation			●					
Level of techno-economic development				●		Very high quality demands	ISO-certification	
Social organization			●					
Religion		●						
Social sense of time			●			Precision very important	Inculcate this to sales representative	
Behavioral forms			●					
Information exchange					●			

3 OTHER METHODS

Several other methods for analyzing the environment in an international setting exist. The most well-known is undoubtedly the extremely basic PESTELE method, which is founded on work originally done by Aguilar (1967), Andrews (1971), Steiner (1979), and Ansoff (Ansoff and McDonell, 1990; Martinet, 2010) and whose components form an integral part of most modern presentations in Strategy and Marketing (Aaker, 2014; Witcher and Chau, 2014). In its essence this method is so basic in nature that most modern depictions are no longer found in articles and textbooks but instead on webpages providing short descriptions of business strategy methods. As is well known, PESTELE is an acronym for a checklist consisting of P (political factors), E (economic factors), S (social/cultural factors), T (technological factors), E (environmental factors), L (legal factors), and E (ethical factors) – all of which need to be taken into account in an analysis. Very often, the method is shortened to just PEST or PESTEL assuming (often rightfully) that the last few factors are of less importance.

Another method resembling PESTELE is the STEEPAL or STEEPEL method (other acronym variants may be found), which is mostly applied in scenario building efforts. There are no real differences to the PESTELE method as the acronymic letters mostly stand for the same in a different ordering. The one main difference is here that often A (aesthetic factors) are analyzed instead of E (ethical factors). Just like the PESTELE method, this method is so basic that it is most often found on webpages providing short descriptions of business strategy methods.

In both cases, there are no real theoretical underpinnings although the system theoretical and operations research approach by Ansoff (Ansoff & McDonell, 1990; Martinet, 2010; Duus, 2013) undoubtedly could provide such support. Accordingly, an often heard criticism of both PESTELE and STEEPAL is that they are only checklists and should only be used in connection with theories, models, and techniques that would enable content and some real analysis to be made of the various factors in the framework.

A vastly more theoretically well-founded method is the PIE (Politics- Institutions-Economy) framework developed by Mygind (2007) and exemplified by application to the analysis of the transition of post-communist states in Eastern Europe (Mygind, 2011). This method consists of the analysis of three separate sets of factors: P (political factors), I (institutional factors), and E (economic factors). The method is founded on the "new institutional economics" and the ambition is that it should go beyond the simple PESTELE method, which is strongly and rightfully criticized by Mygind for being too simplified, static, and without regard for institutions that are to be seen as key determinants for success. Hence, a better method must get behind the development of institutions. The PIE analysis is holistic and dynamic – implying that economic, political, and institutional developments are understood in relation to each other and may overlap. At the same time, the simplicity of alternative models is sought to be maintained. Politics are analyzed as a power game between various parties and constitutional groups. Social groups and their distribution of power, income, resources, etc. are seen as part of the political theater. The analysis of institutions is divided into the analysis of political institutions (constitution, human rights etc.), informal institutions (culture, social trust, values, religion, norms, preferences, etc.), enforcement (rule of law, courts, etc.), and economic institutions (economic policies, property rights, privatization, regulation, liberalization, incentives, financial markets, etc.). The analysis of the economy takes into account flow (growth, investment, inflation, etc.), policies (economic policies, macro stabilization efforts, etc.), and resources, such as the created (human capital, production structure, technology, infrastructure, etc.) and the natural (geography, natural resources, environment, etc.). Here, various depictions of the method exist that show the analysis of 10-15 factors in each of three PIE sets.

All in all, the PIE is very well founded theoretically and has an intrinsic level of detail, which resembles or exceeds that of the PESTELE and the STEEPAL. It also makes the claim of being more dynamic, which may, however, in the end depend on how supporting models and theories are brought into play in the method. The weak point of the method might, however, be a criticism that could also be said of the other methods: that it is very macro oriented and needs to be supplemented with a number of other methods and models in order to facilitate normative decision making by decision makers in firms on the micro level.

4 COMPARISONS OF THE METHODS

Comparisons of the four mentioned methods show that the QVP has some unique advantages over the three other methods.

First, the QVP is better founded theoretically than the PESTELE and the STEEPAL because it fits with the use of certain macroeconomic models as well as the behavioralist perspective on the micro level (Nielsen, 1995; Nielsen, Wilke and Bjerre, 2003; Duus, 2013). However, it may not be as well founded on the macro side as the PIE, which draws heavily on New Institutional Economics.

Second, the QVP provides for a much broader analysis than the other methods. The QVP analyzes the macro framework as well as aspects on the micro level such the partnering firm, its decision making as well as the exchanged goods. Thus in its essence, the QVP also deals with the micro issues, although this aspect needs to be explored through further research.

Third, the sheer number of factors analyzed in the QVP framework on all levels of analysis is immense compared to the other methods. On the macro side the QVP integrates more factors than any other method. The QVP approach is thus broader than any comparable method.

Fourth, the QVP is better suited for decision making in the firm. This is partly due to the fact that its focus is not just on the macro issues as is the case with the other three methods. But more important here is that the method takes its point of departure in a behavioralist perspective, where the decision making in the firm is center stage. This gives the method a huge advantage when it comes to normative decision making.

Fifth, the QVP allows for detailed analysis through the use of a semantic scaling technique. None of the other methods use semantic scaling. This implies that QVP provides for a deeper analysis.

5 CONCLUSION

This paper has presented the Qualitative Value Profiling method for environmental analysis in international business-to-business settings. The method has been compared and contrasted with three other methods: the PESTELE method, the STEEPAL method, and the PIE method. The comparison is favorable to QVP since this method extends beyond the simple macro perspective to the micro perspective, where it has a significant theoretical founding in the behavioralist perspective. The QVP also looks at more factors on all levels, thus providing a much broader analysis. At the same time it attempts to provide concrete strategic and tactical guidance for the management in firms engaged in international transactions such as selling. In addition, the semantic scaling makes it possible to go into detail, especially with improvements in the offering of products and services. Thus the QVP allows broader and deeper insights on a great many accounts than the mentioned alternative methods and thus provides a foundation for better strategic planning in international business-to-business settings. The weak point of the method is that it is limited to business-to-business settings as societies, firms, and their exchanges (and not markets per se) are the focal points. However, this may not be a problem as most international activities take place in a business-to-business

setting. Hence, it may be concluded that this method is a valuable addition to the toolbox of business strategists. Since strategy and marketing play key roles in economic development (Drucker, 1958), the QVP method may also be seen as a valuable addition to international economic development efforts. We recommend that this method be utilized more in business and that it be thoroughly and properly explored in future research. One way ahead is to research the use of the method in more practical business cases in order to find areas of strength as well as weak spots to improve. Another way ahead is to increase the number of boxes in order to extend the perspective of the method. For example, the method is strong on analyzing the macro issues as well as the micro level, where buyer-seller transactions take place and the product-service offering is exchanged. It is, however, less strong when it comes to analyzing these micro issues as part of an industrial system. Hence, the method could be strengthened on the meso (industrial) level, for example, by the addition of boxes with factors on that level. Here inspiration could be drawn from the Porterian framework (Porter, 1991, Aaker, 2014). In addition, the method may need to be "adapted" to more modern perspectives where exchanges are "relational" rather than "transactional" (Hougaard & Bjerre, 2009). Last but not least, decision makers may benefit from the creation of specific QVP software that would ease much of the analysis. The hierarchical ordering of the areas, sub-divisions, and sub-factors make this a natural thing to do. The overall conclusion is that it is worthwhile for both business and academia to extend their attention to this method and that further use of the QVP can be strongly recommended.

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