Detailed Table of Contents

Preface xviii
List of cases xvii
Guided Tour xix
Technology to enhance learning and teaching xxi
Acknowledgements xxiii

PART 1 An introduction to strategy 1

1 The concept of strategy 5

Introduction 5

- **1.1** Key definitions of strategy *6*
- 1.2 The basics of strategy 8
 - 1.2.1 Plans, decisions and actions 9
 - 1.2.2 The external environment 11
 - 1.2.3 Goals 14
 - 1.2.4 Resources 16
- 1.3 Towards a systemic concept of strategy 18
 - 1.3.1 The strategy systems framework 21
- **1.4** Summary *28*

Key terms 30

Further reading and references 31

2 Strategy and organization 33

Introduction 33

- 2.1 Linking organization and strategy 34
 - 2.1.1 Thinking and acting strategically $\ 35$
 - 2.1.2 Animation and orientation 36
- 2.2 Context, organization and managerial interpretation 37
- 2.3 Managerial agency and practice 41
 - 2.3.1 The fragmented organization 44
 - 2.3.2 The self-sufficient organization 44
 - 2.3.3 The mercenary organization 45
 - 2.3.4 The organic organization 45
- **2.4** Summary *46*

Key terms 47

Further reading and references 48

PART 2 Economic analysis for strategic decisions 51

3 The microeconomics of strategy 55

Introduction 55

3.1 Strategy, markets and macroeconomy 58

viii CONTENTS

3.2	Cost	ana	lysis	61

3.2.1 Sources of economies of scale 67

3.3 Demand analysis 72

3.3.1 Demand analysis in practice 76

- 3.4 Analysis of markets and competition 85
- 3.5 Summary 91

Key terms 92

Recap questions and assignments 93

Case study 94

Further reading and references 101

4 The macroeconomics of strategy 103

Introduction 103

- **4.1** The context of strategy and the impact of government action 104
- 4.2 The basics of macroeconomics 106
 - 4.2.1 Short-run fluctuations in GDP 107
- 4.3 Aggregate supply and the end of booms 114
- 4.4 National competitive advantage and long-run macroeconomic performance 119
 - 4.4.1 High levels of investment in 'factors of production' and innovation 123
 - 4.4.2 Effective production and effective business 130
 - 4.4.3 A supportive home market 130
 - 4.4.4 Maintaining domestic competition and maximizing 'external' economies 130
- 4.5 Macroeconometric forecasting and business 132
- 4.6 Summary 135

Key terms 138

Recap questions and assignments 138

Case study 139

Further reading and references 145

5 Industry analysis and competitive strategy 147

Introduction 147

- **5.1** Analysis of industries and competition *148*
 - 5.1.1 Porter's five forces 149
 - 5.1.2 Strategy as imperfections 153
- **5.2** Generic strategies *157*
- 5.3 Sources of competitive advantage 160
- **5.4** Describing strategy *163*
- 5.5 The internal logic of competitive strategy 166
 - 5.5.1 The strategy cycle 167
 - 5.5.2 The value chain *169*
- 5.6 Strategy making in practice 174
 - 5.6.1 Intended versus emergent strategies 174
 - 5.6.2 Assessing progress 175
 - 5.6.3 Assessing progress: the balanced scorecard 177
- **5.7** Summary *180*

Key terms 181

Recap questions and assignments 181 Case study 182 Further reading and references 186

PART 3 Strategy analysis 189

6 Competitive strategy: the analysis of strategic position *195*

Introduction 195

- **6.1** Industry analysis and competitive strategy: the market-based view 197
 - 6.1.1 Cost advantage 197
 - 6.1.2 Differentiation advantage 201
 - 6.1.3 Competitive advantage 206
- 6.2 Strategic market segments 216
 - 6.2.1 Identifying segmentation variables 218
 - 6.2.2 Value creation and value analysis 219
- 6.3 Strategic groups 222
 - 6.3.1 The implications of strategic groups 223
 - 6.3.2 Strategic mapping 225
 - 6.3.3 Strategic groups in practice 227
- **6.4** Industry transformation *232*
- 6.5 Business model 234
 - 6.5.1 Commitment and sustainability 237
- 6.6 Summary 242

Key terms 243

Recap questions and assignments 243

Case study 244

Further reading and references 248

7 Competitive strategy: the analysis of strategic capability 251

- 7.1 The resource-based view in theory 252
- 7.2 The language of the resource-based view: what is core competence? 254
 - 7.2.1 Prahalad and Hamel on core competence 256
 - 7.2.2 BCG and capabilities-based competition 256
 - 7.2.3 Amit and Schoemaker on strategic assets 257
 - 7.2.4 Core competence = distinctive capability = strategic asset 258
- 7.3 Related issues and the management of core competences 261
 - 7.3.1 Resource leverage 261
 - 7.3.2 Identifying intangibles 263
 - 7.3.3 What determines the value of a core competence? 265
- 7.4 Linking core competence to competitive advantage 266
 - 7.4.1 Competence-based competition in practice 268
 - 7.4.2 The role of learning 272
- 7.5 Competitive strategy in practice 273
 - 7.5.1 Managing the business for value 276
 - 7.5.2 Positioning the business for growth 277

X CONTENTS

7.6 Summary *279*

Key terms 281

Recap questions and assignments 281

Case study 1 282

Case study 2 286

Further reading and references 288

8 Competitive strategy: moving from theory to practice 291

Introduction 291

- 8.1 The life cycle model 292
- 8.2 Strategy and the entrepreneur: start-ups and sustainability 298
 - 8.2.1 Entrepreneurs: an overview 299
 - 8.2.2 What is an entrepreneur? 299
 - 8.2.3 What does it take to be an entrepreneur? 300
 - 8.2.4 Where do we find entrepreneurs? 302
 - 8.2.5 Do entrepreneurs have a shelf life? 305
 - 8.2.6 Reflections upon entrepreneurs and strategy 306
- 8.3 New entry strategies 307
- 8.4 Corporate failure and turnaround strategies 313
 - 8.4.1 Issues 314
 - 8.4.2 Types of turnaround 315
 - 8.4.3 The anatomy of a sharpbender 316
 - 8.4.4 Generic turnaround strategies 325
 - 8.4.5 Lessons for managers 325
- 8.5 Summary 327

Key terms 328

Recap questions and assignments 329

Case study 330

Further reading and references 334

9 Corporate strategy: adding value in multi-business firms 337

- 9.1 The changing organizational structure 338
 - 9.1.1 Issues *343*
- 9.2 Theory and concepts 343
 - 9.2.1 The inherent value 343
- 9.3 Managing the multi-business firm 346
 - 9.3.1 The strategy-structure balance 346
 - 9.3.2 Corporate strategies 348
 - 9.3.3 Corporate styles 353
- 9.4 Practical frameworks and applications 355
- 9.5 Evidence and experience 357
 - 9.5.1 Academic 357
 - 9.5.2 Market *360*
 - 9.5.3 Issues for the future 360
- 9.6 The role of headquarters: the case of ABB and Percy Barnevik 361

- 9.6.1 The Economist on Barnevik and ABB 361
- 9.6.2 *Time* magazine on Barnevik *363*
- 9.6.3 Barnevik on Barnevik's management style 363
- 9.7 Summary *368*

Key terms 369

Recap questions and assignments 370

Case study 371

Further reading and references 375

10 Corporate strategy: mergers, acquisitions and strategic alliances *377*

Introduction 377

- 10.1 Acquisitions: an overview 378
 - 10.1.1 The context 379
- 10.2 Pre-acquisition planning 382
 - 10.2.1 Motives for acquisition 382
 - 10.2.2 Selecting a target 384
 - 10.2.3 Doing the deal *384*
- 10.3 Issues in post-acquisition integration 386
 - 10.3.1 Organizational fit 387
 - 10.3.2 Post-acquisition integration styles 387
- 10.4 Managing strategic alliances 393
 - 10.4.1 Types of co-operative strategies 394
 - 10.4.2 How to manage alliances 397
 - 10.4.3 Evaluations and outcomes 401
- 10.5 Summary 402

Key terms 403

Recap questions and assignments 403

Case study 404

Further reading and references 409

11 Global strategies and international advantage 411

- 11.1 International business: the context for international strategy 412
 - 11.1.1 Definition of terms 412
 - 11.1.2 'National' competitive advantage 414
 - 11.1.3 The internationalization process 416
- 11.2 Globalization 420
 - 11.2.1 Global markets and industries 420
 - 11.2.2 Global companies 421
 - 11.2.3 Globalization and the value chain 424
 - 11.2.4 Sources of competitive advantage 427
- 11.3 Strategic choices 430
 - 11.3.1 Strategic positioning 430
 - 11.3.2 Country issues *434*
- 11.4 Managing international organizations 441
- 11.5 Summary 445

xii CONTENTS

Key terms 446

Recap questions and assignments 446

Case study 448

Further reading and references 455

12 Strategy in the new economy 457

Introduction 457

- 12.1 The need for a new strategic perspective 458
- 12.2 The emergence of a new economy 460
 - 12.2.1 The old world: economies of scale and scope 460
 - 12.2.2 The new world of network industries 461
- 12.3 Networks 463
 - 12.3.1 Network externalities: the new economic force 465
 - 12.3.2 Network externalities and the battle for critical mass 466
- 12.4 The technological infrastructure of network industries 470
 - 12.4.1 Technology and standards 471
 - 12.4.2 Supply chain 474
 - 12.4.3 Physical platforms 478
 - 12.4.4 Consumer networks 480
- 12.5 Networks, standards and competition 483
- 12.6 Implications for strategy 484
- 12.7 Summary 489

Key terms 490

Recap questions and assignments 490

Case study 1 491

Case study 2 494

Further reading and references 496

PART 4 Strategy and practice 499

13 Process analyses for strategic decision making 503

Introduction 503

- 13.1 Different perspectives on the nature of decision making 504
- 13.2 Choice selection and strategic decision making 506
 - 13.2.1 Game theories *507*
 - 13.2.2 Sensitivity analysis 508
 - 13.2.3 Options 509
- 13.3 The processes of strategic decision making 511
- 13.4 The architecture of strategic decision making 512
 - 13.4.1 Decision-specific characteristics 513
 - 13.4.2 The organizational context 514
- 13.5 Strategic decision making and performance 517
 - 13.5.1 Duration and decision success 519
 - 15.5.2 Factors of success *521*
- 13.6 Summary 522

Key terms 522

Recap questions and assignments 522

Case study 524

Further reading and references 527

14 Risk, uncertainty and strategy 529

Introduction 529

- 14.1 Different images of risk 531
 - 14.1.1 Organizational risk and managerial risk 533
 - 14.1.2 Prospect theory and risk 535
- 14.2 Uncertainty 537
- 14.3 Risk analysis and assessment techniques 540
 - 14.3.1 Decision trees and risk analysis 543
 - 14.3.2 Limitations of risk analysis techniques 544
- 14.4 Risk indices *545*
 - 14.4.1 Limitations of risk indices 545
- 14.5 Using scenarios to help reduce risk and uncertainty 545
 - 14.5.1 Which organizations should use scenarios? 546
 - 14.5.2 Scenarios and scenario thinking 547
 - 14.5.3 How useful are scenarios? 547
 - 14.5.4 Writing a scenario 548
- 14.6 Back to the organization: identifying gaps 554
- 14.7 Summary *556*

Key terms 558

Recap questions and assignments 558

Case study 559

Further reading and references 565

15 Managing strategic change 569

Introduction 569

- **15.1** Levels of change *570*
- 15.2 Analysing and understanding strategic change 571
- 15.3 Strategic change and organization 574
- 15.4 Change, individuals and strategic leadership 580
 - 15.4.1 Creative individuals and change 582
 - 15.4.2 Subjectivity: emotion and organizational change 584
 - 15.4.3 Using outsiders to implement change 586
- 15.5 Creative organizational contexts 590
- 15.6 Summary 590

Key terms 591

Recap questions and assignments 591

Case study 592

Further reading and references 598

16 Strategy and the learning organization 601

- 16.1 What is learning? 602
- 16.2 Levels of analysis: individual, group and organizational learning 604

xiv CONTENTS

- 16.2.1 Learning across levels of analysis: interaction effects and the knowledge-based organization 605
- 16.2.2 Knowledge transfer 608
- 16.2.3 An alternative perspective on organizational learning models: neo-institutionalism 611
- 16.3 Learning traps: dominant logic 613
 - 16.3.1 The counter argument: groups help organizations learn and combat dominant logic 614
- 16.4 Using storytelling to develop organizational learning 616
- 16.5 Enhancing organizational learning 618
 - 16.5.1 Risk taking 618
 - 16.5.2 Devil's advocacy and dialectic inquiry 619
 - 16.5.3 Leadership *619*
- 16.6 Summary *620*

Key terms 620

Recap questions and assignments 621

Case study 622

Further reading and references 627

17 Strategy and corporate governance 629

Introduction 629

- 17.1 The context of corporate governance 635
- 17.2 Corporate governance in the UK 636
 - 17.2.1 Compliance with codes of governance in the UK 638
- 17.3 Board effectiveness 642
 - 17.3.1 The board as a team 642
- 17.4 The board and strategic decision making 643
 - 17.4.1 The board and performance 644
- 17.5 Boards and corporate social responsibility 647
- 17.6 What is an effective board? 649
- 17.7 Summary 651

Key terms 651

Recap questions and assignments 652

Case study 653

Further reading and references 663

PART 5 Strategy and the future 667

18 Analysing and measuring strategic performance 671

- 18.1 The domain of business performance 672
- 18.2 Concepts of value and performance management 674
 - 18.2.1 Accounting-based performance metrics 674
 - 18.2.2 Economic value added (EVA) and financial performance 675
 - 18.2.3 The shareholder value approach (SVA) 677
 - 18.2.4 The balanced scorecard concept: managing for value 682
- 18.3 How does the strategic management system work in practice? 690
 - 18.3.1 An example of the scorecard in practice: integration with the human resource process 693
- 18.4 Summary 693

Key terms 694

Recap questions and assignments 695

Case study 696

Further reading and references 700

19 Knowledge, information and innovation strategy 701

Introduction 701

- 19.1 Concepts of knowledge and innovation 702
 - 19.1.1 Disruptive technologies 703
 - 19.1.2 Value innovation 704
 - 19.1.3 Revolutionary innovators 705
- 19.2 Knowledge as assets 709
- 19.3 Knowledge as innovation 711
 - 19.3.1 Innovation competition 712
 - 19.3.2 Technology races 714
- 19.4 Knowledge embedded in routines 717
- 19.5 Knowledge as learning 719
- 19.6 Towards a knowledge-based view 721
 - 19.6.1 Organizational knowledge 721
 - 19.6.2 From value chain to value web 724
 - 19.6.3 A knowledge-based view of strategy? 726
- 19.7 Summary *730*

Key terms 731

Recap questions and assignments 731

Case study 733

Further reading and references 736

20 Total quality, customer value and process impacts 741

Introduction 741

20.1 Quality concepts 742

20.1.1 What is quality anyway? 743

- 20.2 Quality and strategy 748
- 20.3 Implications for strategic management 757
 - 20.3.1 How strong is self-interest? 757
 - 20.3.2 Is management the crucial resource and competence? 759
 - 20.3.3 Does competition hinder systemic improvement? 760
- 20.4 Does organization get in the way? 763
 - 20.4.1 The complexity of performance 764
 - 20.4.2 The operations basis of strategy 764
- 20.5 Summary 765

Key terms 765

Recap questions and assignments 766

Case study 767

Further reading and references 772

21 Managing business value as a system: value creation from a systems perspective 775

xvi CONTENTS

- **21.1** The strategic systems perspective *777*
- 21.2 The stakeholder management perspective 781
- 21.3 Learning theories of the firm and value creation 784
- 21.4 Trust, accountability, reputation and value 785
- 21.5 Intangible assets and value creation 787
- 21.6 Managing value as a system 789
- 21.7 Summary and other issues in managing value 790

Key terms 792

Recap questions and assignments 792

Case study 793

Further reading and references 795

Challenges in strategy: final thoughts and postscript 799

Leadership 801

Strategy and creativity 802

Unbounded thinking 803

As a final note ... 804

Further reading and references 804

Index 805