## Strategic Analysis

- 1 Strategic Management: Creating Competitive Advantages 4
- 2 Analyzing the External Environment of the Firm 36
- 3 Assessing the Internal Environment of the Firm 68
- 4 Recognizing a Firm's Intellectual Assets 114

## Strategic Formulation

5 Business-Level Strategy: Creating and Sustaining Competitive Advantages 146

- 6 Corporate-Level Strategy: Creating Value through Diversification 182
  - 7 International Strategy: Creating Value in Global Markets 218
- 8 Digital Business Strategy: Leveraging Internet and E-Business Capabilities 250

# Strategic Implementation

- 9 Strategic Control and Corporate Governance 288
- 10 Creating Effective Organizational Designs 328
- 11 Strategic Leadership: Creating a Learning Organization and an Ethical Organization 360
- 12 Managing Innovation and Fostering Corporate Entrepreneurship 394
- 13 Recognizing Opportunities and Creating New Ventures 428

Case Analysis

14 Analyzing Strategic Management Cases 470

Cases 500

Indexes 919

#### contents

## Strategic Analysis

#### Chapter 1 Strategic Management: Creating

Strategic Management. Creating	
Competitive Advantages	4
What Is Strategic Management?	8
Defining Strategic Management	9
The Four Key Attributes of Strategic Management	10
The Strategic Management Process	11
Strategy Analysis	12
Strategy Formulation	14
Strategy Implementation	15
The Role of Corporate Governance and	
Stakeholder Management	17
Zero Sum or Symbiosis? Two Alternate	
Perspectives of Stakeholder Management	19
Social Responsibility: Moving Beyond the	
Immediate Stakeholders	19
The Strategic Management Perspective: An	
Imperative Throughout the Organization	21
Some Key Driving Forces	21
Enhancing Employee Involvement in the Strategic	
Management Process	24
Ensuring Coherence in Strategic Direction	26
Organizational Vision	26
Mission Statements	28
Strategic Objectives	29
Summary 31	

#### Chapter 2

Analyzing the External Environment of the Firm	36
Creating the Environmentally Aware	
Organization	39
The Role of Scanning, Monitoring, Competitive	
Intelligence, and Forecasting	39
SWOT Analysis	45
The General Environment	45
The Demographic Segment	45
The Sociocultural Segment	48
The Political/Legal Segment	48
The Technological Segment	49
The Economic Segment	51
The Global Segment	52
Relationships among Elements of the	
General Environment	52

# The Competitive Environment53Porter's Five-Forces Model of Industry<br/>Competition54Strategic Groups within Industries61Summary 6454

#### Chapter 3

Assessing the Internal Environment	
of the Firm	68
Value-Chain Analysis	71
Primary Activities	73
Support Activities	76
Interrelationships among Value-Chain Activities	
within and across Organizations	81
<b>Resource-Based View of the Firm</b>	81
Types of Firm Resources	82
Firm Resources and Sustainable	
Competitive Advantages	84
The Generation and Distribution of a	
Firm's Profits: Extending the Resource-Based	
View of the Firm	89
Evaluating Firm Performance:	
Two Approaches	91
Financial Ratio Analysis	91
Integrating Financial Analysis and Stakeholder	
Perspectives: The Balanced Scorecard	94
Summary 97	
Appendix to Chapter 3: Financial Ratio Analysis 102	

#### Chapter 4

Recognizing a Firm's	
Intellectual Assets	114

The Central Role of Knowledge	
in Today's Economy	117
Human Capital: The Foundation	
of Intellectual Capital	120
Attracting Human Capital	121
Developing Human Capital	123
Retaining Human Capital	126
The Vital Role of Social Capital	129
How Social Capital Helps Attract	
and Retain Talent	130
The Potential Downside of Social Capital	132
Using Technology to Leverage Human	
Capital and Knowledge	133

Using Networks to Share Information	
and Develop Products and Services	133
Codifying Knowledge for Competitive Advantage	134
Retaining Knowledge When Employees Leave	135
The Central Role of Leveraging Human	
Capital in Strategy Formulation	137
Leveraging Human Capital and	
Business-Level Strategy	137
Leveraging Human Capital and	
Corporate-Level Strategy	137
Leveraging Human Capital and	
International-Level Strategy	139
Leveraging Human Capital and	
Internet Strategies	139
Summary 139	

# Strategic Formulation

### Chapter 5

<b>Business-Level Strategy: Creating and</b>	d
Sustaining Competitive Advantages	146
Types of Competitive Advantage	
and Sustainability	150
Overall Cost Leadership	151
Differentiation	157
Focus	162
Combination Strategies: Integrating Overall	
Low Cost and Differentiation	164
Industry Life Cycle Stages:	
Strategic Implications	169
Strategies in the Introduction Stage	170
Strategies in the Growth Stage	171
Strategies in the Maturity Stage	172
Strategies in the Decline Stage	173
Relating Generic Strategies to Stages of the	
Industry Life Cycle: The Personal	
Computer Industry	175
Turnaround Strategies	175
Summary 177	

#### Chapter 6

Corporate-Level Strategy:	
Creating Value through Diversification	182
Making Diversification Work: An Overview	186
<b>Related Diversification: Economies of Scope</b>	
and Revenue Enhancement	187
Leveraging Core Competencies	188
Sharing Activities	189

<b>Related Diversification: Market Power</b>	190
Pooled Negotiating Power	190
Vertical Integration	192
<b>Unrelated Diversification: Financial</b>	
Synergies and Parenting	195
Corporate Parenting and Restructuring	197
Portfolio Management	198
Caveat: Is Risk Reduction a Viable Goal of	
Diversification?	201
The Means to Achieve Diversification	201
Mergers and Acquisitions	202
Strategic Alliances and Joint Ventures	203
Internal Development	206
<b>Real Options Analysis: A Useful Tool</b>	207
How Managerial Motives Can Erode	
Value Creation	208
Growth for Growth's Sake	209
Egotism	210
Antitakeover Tactics	212
Summary 212	

#### Chapter 7

## International Strategy: Creating Value in Global Markets

218

The Global Economy: A Brief Overview	220
Factors Affecting a Nation's Competitiveness	221
Factor Conditions	222
Demand Conditions	223
Related and Supporting Industries	223
Firm Strategy, Structure, and Rivalry	224
Concluding Comment on Factors Affecting	
a Nation's Competitiveness	226
International Expansion: A Company's	
Motivations and Risks	226
Motivations for International Expansion	226
Potential Risks of International Expansion	228
Achieving Competitive Advantage	
in Global Markets	232
Two Opposing Pressures: Reducing Costs	
and Adapting to Local Markets	232
International Strategy	234
Global Strategy	235
Multidomestic Strategy	236
Transnational Strategy	238
Entry Modes of International Expansion	239
Exporting	240
Licensing and Franchising	242
Strategic Alliances and Joint Ventures	242
Wholly Owned Subsidiaries	244
Summary 246	

#### Chapter 8

Digital Business Strategy: Leveraging	
Internet and E-Business Capabilities	250

#### How the Internet Is Affecting the Five

Competitive Forces	257
The Threat of New Entrants	257
The Bargaining Power of Buyers	258
The Bargaining Power of Suppliers	259
The Threat of Substitutes	260
The Intensity of Competitive Rivalry	262
How the Internet Adds Value	263
Search Activities	263
Evaluation Activities	265
Problem-Solving Activities	265
Transaction Activities	266
Other Sources of Competitive Advantage	267
Business Models	268
How the Internet Is Affecting the	
Competitive Strategies	270
Overall Cost Leadership	272
Differentiation	273
Focus	275
Are Internet-Based Advantages Sustainable?	278
Are Combination Strategies the Key	
to E-Business Success?	278
Leveraging Internet Capabilities	280
G 201	

Summary 281



#### Chapter 9

## Strategic Control and Corporate Governance

<b>Ensuring Informational Control: Responding</b>	
Effectively to Environmental Change	291
A Traditional Approach to Strategic Control	291
A Contemporary Approach to Strategic Control	292
Attaining Behavioral Control: Balancing	
Culture, Rewards, and Boundaries	295
Building a Strong and Effective Culture	296
Motivating with Rewards and Incentives	297
Setting Boundaries and Constraints	299
Behavioral Control in Organizations:	
Situational Factors	302
Evolving from Boundaries to Rewards	
and Culture	303

#### Linking Strategic Control to Business-Level

and Corporate-Level Strategies	304
Business-Level Strategy and Strategic Control	305
Corporate-Level Strategy and Strategic Control	306
The Role of Corporate Governance	307
The Modern Corporation: The Separation	
of Owners (Shareholders) and Management	309
Governance Mechanisms: Aligning the Interests	
of Owners and Managers	311
External Governance Control Mechanisms	317
Summary 321	

#### Chapter 10

Creating Effective	
Organizational Designs	328
Traditional Forms of Organizational	
Structure	330
Patterns of Growth of Large Corporations	331
Simple Structure	332
Functional Structure	333
Divisional Structure	334
Matrix Structure	338
International Operations: Implications	
for Organizational Structure	339
How an Organization's Structure Can Influence	
Strategy Formulation	341
Boundaryless Organizational Designs	341
The Barrier-Free Organization	343
The Modular Organization	347
The Virtual Organization	348
Boundaryless Organizations: Making Them Work	352
Summary 355	

#### Chapter 11

288

#### Strategic Leadership: Creating a Learning Organization and an Ethical Organization

Leadership: Three Interdependent Activities	363
Setting a Direction	365
Designing the Organization	365
Nurturing a Culture Dedicated to Excellence	
and Ethical Behavior	367
Overcoming Barriers to Change and the	
Effective Use of Power	367
Emotional Intelligence: A Key	
Leadership Trait	370
Developing a Learning Organization	374
Empowering Employees at All Levels	375
Accumulating and Sharing Internal Knowledge	376

360

Gathering and Integrating External Information	378
Challenging the Status Quo and Enabling	
Creativity	380
Creating an Ethical Organization	381
Individual Ethics versus Organizational Ethics	381
Integrity-Based versus Compliance-Based	
Approaches to Organizational Ethics	383
Role Models	387
Corporate Credos and Codes of Conduct	387
Reward and Evaluation Systems	388
Summary 390	

#### Chapter 12

#### Managing Innovation and Fostering **Corporate Entrepreneurship**

Managing Innovation	397
Types of Innovation	398
Challenges of Innovation	400
Defining the Scope of Innovation	401
Managing the Pace of Innovation	402
Collaborating with Innovation Partners	402
Corporate Entrepreneurship	404
Focused Approaches to Corporate	
Entrepreneurship	405
Dispersed Approaches to Corporate	
Entrepreneurship	408
Measuring the Success of Corporate	
Entrepreneurship Activities	410
Entrepreneurial Orientation	414
Autonomy	414
Innovativeness	416
Proactiveness	418
Competitive Aggressiveness	419
Risk Taking	421
Summarv 423	

#### Chapter 13

Recognizing Opportunities and Creating New Ventures	428
New Ventures and Small Businesses	431
Categories of Entrepreneurial Ventures	431
<b>Opportunity Recognition: Identifying</b>	
and Developing Market Opportunities	435
The Opportunity Recognition Process	438
Characteristics of Good Opportunities	440
Entrepreneurial Resources	442
New-Venture Financing	443
Other Entrepreneurial Resources	447
Entrepreneurial Leadership	450
Vision	450

Dedication and Drive	451
Commitment to Excellence	453
Entrepreneurial Strategy	454
Entry Strategies	455
Generic Strategies	459
Combination Strategies	462
Summary 463	

### Case Analysis

394

#### **Chapter 14 Analyzing Strategic Management Cases** 470 Why Analyze Strategic Management Cases? 472 How to Conduct a Case Analysis 473 Become Familiar with the Material 475 Identify Problems 477 Conduct Strategic Analyses 477 Propose Alternative Solutions 478 Make Recommendations 480 How to Get the Most from Case Analysis 480 Using Conflict-Inducing Decision-Making **Techniques in Case Analysis** 483 Symptoms of Groupthink and How to Prevent It 485 Using Conflict to Improve Decision Making 485 Following the Analysis-Decision-Action Cycle **487** in Case Analysis Summary 491 Appendix to Chapter 14: Sources of Company and Industry Information 493

#### Cases

1. Adolph Coors in the Brewing Industry	500
2. American Red Cross to 2002 (A)	514
<b>3.</b> American Red Cross, 2002–2004 (B)	525
4. Atari and InfoGrames Entertainment SA	530
5. Ben & Jerry's Homemade, Inc.: Passing	
the Torch	540
6. The Best-Laid Incentive Plans	555
7. Carly Fiorina: The Reinvention	
of Hewlett-Packard	559

8.	Challenges Brewing	
	at Breckenridge Brewery	576
9.	Chiquita's Global Turnaround	589
10.	Crown Cork and Seal in 1989	597
11.	Dippin' Dots Ice Cream	615
12.	eBay: King of the Online Auction Industry	621
13.	Edward Marshall Boehm, Inc.	640
14.	Ford Motor Company in 2004: Entering	
	a Second Century of Existence	641
15.	FreshDirect	650
16.	General Motors	660
17.	Go Global—or No?	666
18.	Green Mountain Coffee Roasters	670
19.	Growing for Broke	679
20.	Heineken	683
21.	Jay's Foods, LLC	689
22.	JetBlue Airways	700
23.	Johnson & Johnson	710
24.	The Lincoln Electric Company, 1989	716
25.	McDonald's	730
26.	Microsoft's Battle for the Living Room:	
	The Trojan Horse—The Xbox	736
27.	Nokia's Strategic Intent for the	
	21st Century	751
28.	Outback Steakhouse Goes International	764

29.	Panera Bread Company	783
30.	Pixar Animation Studios	793
31.	Procter & Gamble	799
32.	Robin Hood	805
33.	Samsung Electronics	806
34.	Schoolhouse Lane Estates	811
35.	Segway: A New Dimension	
	in Human Transportation	825
36.	The Skeleton in the Corporate Closet	834
37.	Southwest Airlines: How Much Can	
	"LUV" Do?	837
38.	Starbucks Corporation: Competing	
	in a Global Market	846
39.	Toys "R" Us Moving into 2004	866
40.	Trouble in Paradise	872
41.	Wal-Mart's Strategy for the 21st Century:	
	Sustaining Dominance	876
42.	World Wrestling Entertainment	895
43.	Yahoo!	901
44.	Yum! Brands, Pizza Hut, and KFC	907

#### Indexes

Company	919
Name	926
Subject	936