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THIRD EDITION

EDITOR-IN-CHIEF, PROFESSOR SIR CARY L. COOPER



VOLUME 12

STRATEGIC MANAGEMENT

EDITED BY JOHN McGEE & TANYA SAMMUT-BONNICI

PREVIOUS EDITORS: DEREK F. CHANNON 1997; JOHN McGEE 2005

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Edited by

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Dedication

I would like to dedicate this edition of the *Wiley Encyclopedia of Management* to Professor Chris Argyris, who passed away last year. Professor Argyris and I were co-editors of the first edition, where we worked together, while I was on sabbatical, at Harvard Business School, to highlight the main structure, disciplines and functional areas of management that would be the template for future editions of the Encyclopedia. Chris was an outstanding scholar in management, probably the best known thinker in the field and renowned for his state-of-the-art management books and innovative management theories, but more important he was a wonderful person, who supported and nurtured all he worked with. I remember strolling with him on a number of occasions in Hyde Park, London, when he was in England, talking to him about his latest ideas and insights. Even in his eighties, he bubbled with enthusiasm. He was truly inspirational, and I, and his many colleagues worldwide, will miss him dearly.

*Professor Sir Cary L. Cooper, CBE
The Editor-in-Chief*

Preface

As editors of the Wiley Encyclopedia of Management 3e, Vol. 12 Strategic Management, we aim to provide business practitioners, academics, and students of the field with a comprehensive reference relating to strategy concepts, methods, and techniques to reflect the dynamism of industry practice and academic knowledge. The juxtaposition of concepts, methods and techniques reflects the need for clarity in strategic thought as well as practicality in strategy implementation. As an encyclopedia, this volume provides a broad coverage of the field and an accessible framework for investigating its subject matter. The Strategic Management volume has been compiled through a collaborative network of over 50 professors and industry leaders from universities, business schools, and business organizations from all parts of the globe. The result is a contemporary, dynamic, and global view of strategy, which represents cutting edge thinking in the world of corporate and societal management.

The text is designed to be accessible to readers from different backgrounds who contribute to the design, implementation, and use of strategy at various levels in their organizations. The ease of access to the wealth of information embodied in the encyclopedia is made possible through the modular nature of the publication whereby each strategy concept can be searched online and retrieved separately.

We developed a comprehensive list of contemporary strategy topics for the third edition by looking at research published over the past decade in top academic journals, reputable industry publications, and the dominant logic of the frameworks of strategy in academic textbooks. We then organized these topics into distinct strategy themes to enable individual topics to be related to broader streams of strategic thought. The result was a significantly updated list of topics from previous editions, made up of 210 topics, 36 of which are new additions with most of the remainder being heavily revised. The new entries come mainly from the rapidly evolving nature of strategy as reflected in the content of popular textbooks on strategy and new approaches to strategic leadership advocated in business schools.

There are three distinct fields that are attracting more attention in the field of strategy, which may not constitute a new core but will certainly enrich the way we think about strategy. The new themes revolve around three areas: *complex behavior in organizations and industries*, *the psychological foundations of strategy*, and *strategic innovation* as an area that focuses on the renewal of managerial cognition and on the responses of organizations and industries to contentious and difficult environments. Another area that has gained more citations and more interest from academics and executives in the past few years is *cooperation and collaboration*, which is being linked to our understanding of complex adaptive behavior. The evolution of the key terms and concepts in the encyclopedia reflects a move toward organizational strategies and resource-based views that have emerged in response to competition, regulation, social trends, and technological innovation.

Our approach to building this compendium of strategic management is both conceptual and practical. Strategic management is a performance-driven discipline, with an ingrained competitive stance, that sets out to condition long-term futures. With this mindset in place, one of the major shifts in strategic thinking has been to recognize the centrality of resources and capabilities as the foundation of long-term superior results and the need to create and execute strategic plans that utilize these resources. Therefore, the *resource-based view* has a much more significant influence in the field of strategy. The practicalities of how the resource-based view can be captured into workable core

competences and later on into dynamic capabilities that outpace the competition, will be on center stage in the foreseeable future. The nature of dynamic capabilities links back to complex adaptive behavior, a field that is yet to evolve into a robust practical toolbox for strategic decision makers.

The third edition is being published in the aftermath of the 2008 financial crisis, a crisis that has shattered many comfortable illusions about the stability of the global economy and the health and resilience of many important parts of it. The year 2014 also marks a point at which the long period of globalization and intensive technological change can be observed in new structures and strategies around the world, both political and corporate. Thus the context of the field of strategy has changed immensely and we ought to ask if it has changed the nature of strategic thinking itself.

The most obvious observation to make is that the nature and importance of competition has been clearly intensified. Falling real incomes have created more demand for low price offerings and differentiated offerings have to show their value proposition more clearly. Everything we know about competition is in many senses reinforced with an override that observes that time horizons have become more compressed, strategies need to pay off earlier, and value propositions will have to be readjusted more frequently.

This raises a more complex point. The tension between short-term and long-term thinking has been greatly exacerbated. The 2008 crisis pointed toward rapid financial readjustments, the primacy of cost-driven survival strategies and simultaneously the need for longer term repositioning so as to be able to create the resources and flexibility for strategies to be more reactive, more adaptive and yet more durable. Are we to see more trade-offs toward the short term or do we take from 2008 that more importance should be given to long-term durability?

Part of the long-term thinking of corporations is investment and technological change. The invasion of consumer buying habits by innovations such as social networks is provoking fundamental changes in retailing and in consumer goods marketing with consequent implications for investment back down the supply chain. The pace of technical change and consumer buying habits shows no sign of diminishing.

As further fuel to these changes, the significance of emerging markets has been very evident in the aftermath of 2008 with considerable visibility of China's development into a world economic superpower (or is it going to run into bottleneck constraints and revert to more normal growth). Alongside this strand of thinking is a rethinking of globalization as a strategy. The emphasis is now on regional power coupled with increasing free trade. This is a more intricate paradigm than global standardization requiring correspondingly more complex patterns of internationalization.

So change is even more positively on the agenda and the capacity to interpret and respond to contextual shifts and rapidly evolving new competitors will become a requisite core competence. Fundamentally, strategic advantage in any and all contexts is driven and fueled by the resources and capabilities of firms. The resource-based view is gaining more attention and will gain more traction in reality as firms begin to work out how to define, measure, and create core competences. The resource-based view is a theory waiting for major practical advancement. Without core competences, firms are destined to be price competitors or at best rapid imitators. Long-term superior performance will accrue to those who know what are their strategic assets.

The principle focus of strategy regarding the creation of wealth will continue to dominate and will remain critical to the competitive survival of firms. However, the definition of wealth in the economic literature is starting to shift toward a more holistic view that integrates financial and societal wellbeing – a reflection probably of broader public opinion. The effect on the field of strategy is an increase in importance of areas such as corporate social responsibility as well as providing ammunition for the need for organizations to take an even longer view in spite of current short-term financial pressures. The implementation of strategy is an area that requires more attention in terms of providing a working framework of how to execute the wide variety of strategic models available in the literature. Implementation remains a minefield of mobilising financial, human, organizational and social capital, in the form of industry networks.

Strategic Management Vol. 12 is a rich collection of the latest thinking on strategic management. We are indebted to our colleagues in international business schools and corporations across the globe, who have contributed with their ideas, opinions, best practices, and latest research finding. It has been a privilege to be part of this great network of strategic minds that have created this comprehensive collection of strategic management concepts.

John McGee and Tanya Sammut-Bonnici

About the Editors

Editor-in-Chief

Professor Sir Cary L. Cooper, CBE, is Distinguished Professor of Organizational Psychology and Health at Lancaster University Management School, UK. He is the author of over 100 books, Founding Editor of the *Journal of Organizational Behavior*, Founding President of the British Academy of Management, and Chair of the Academy of Social Sciences (comprises 46 learned societies and nearly 90,000 social scientists).

Volume Editors

John McGee is the Joint Editor of the *Wiley Encyclopedia of Management Volume 12 Strategic Management*. He is Emeritus Professor of Strategic Management at the University of Warwick, UK, and a Fellow of and former President of the Strategic Management Society. At Warwick Business School, he has served as an Associate Dean and Academic Director for the MBA Programme and as an Associate Dean for External Relations. Previously, he was the Dean and Fellow in Strategic Management of Templeton College, Oxford, and before that he was the Founding Director of the Centre for Business Strategy at London Business School. He has written extensively in the area of business economics and business strategy with particular interests in the evolution of industries and strategic groups analysis.

Tanya Sammut-Bonnici is the Joint Editor of the *Wiley Encyclopedia of Management Volume 12 Strategic Management*. She is an Associate Fellow at Warwick Business School, UK, and Head of Department at the University of Malta. Her research focuses on strategic innovation in ICT markets, applying the evolutionary dynamics of Darwinism, complexity, and probability. Dr. Sammut-Bonnici has contributed to the academic program at the Edward de Bono Institute and has acted as an advisor to the EU Parliamentary Committee on Industry Research and Energy and the EU Committee on Internal Market and Consumer Protection. She has held leading managerial and executive roles at Vodafone and ST Microelectronics. Dr Sammut-Bonnici has worked extensively on market research and strategic development in the telecommunications and financial industry.

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Contents

Preface	xiii
About the Editors	xvii
List of Contributors	xix
Absorptive capacity: the concept and its usefulness	1
Acquisition strategy	3
Advantage matrix	11
Balanced scorecard	15
Barriers to entry and exit	18
BCG (growth share) matrix	21
Benchmarking	23
Blue ocean strategy	25
Brand and branding	28
Break-even analysis	30
Breakthrough strategies	31
Business history	32
Business model	34
Business process reengineering	36
Capabilities and capability analysis	41
Cartel	42
Case study	45
Cash cow	46
Cash trap	48
Chaebol structure	48
Cognitive map	53
Comparative advantage	55
Competitive advantage	56
Competitive landscapes	62
Competitive market theory	64
Competitive strategy	65
Competitor analysis	69

viii Contents

Complementary products	72
Complex adaptive systems	74
Complexity theory	76
Conglomerate strategy	78
Cooperative strategies	81
Coopetition	82
Core business	84
Core competences	84
Corporate governance and boards of directors	87
Corporate reputation	89
Corporate social responsibility	93
Corporate strategy	96
Corporate styles	99
Corporate transformation	101
Corporate venturing	107
Cost analysis	108
Cost strategies	112
Critical mass	114
Cross-subsidization	116
Cultural web	117
Deconstruction and reconstruction	119
Delaying	124
Demand analysis in practice	125
Demand analysis in theory	129
Deregulation	133
Design school versus process school	134
Diamond of national advantage	135
Differentiation strategies	138
Disruptive innovation	141
Diversification	144
Divestiture strategy	149
Divestment	152
Dog businesses	153
Downsizing	154
Dynamic capabilities	156
Economic concepts for strategy	161
Economies of scale	167
Economies of scope	173
Economies of substitution	175
Economizing	176

Efficiency	177
Elasticity	179
Ethnic Chinese family business	183
Evolutionary theory	185
Excess capacity	188
Experience and learning effects	189
Externalities	195
First mover advantage	197
Five forces of competition	198
Focus strategies	202
Foreign direct investment	203
Foreign market entry analysis	207
Fragmented businesses	207
Frugal innovation	208
Functional structure (U-Form)	210
Game theory	213
Gap analysis	219
GE matrix (competitive position attractiveness matrix)	220
Generic strategies	222
Global strategy	225
Globalization	229
Globalization of service industries	234
Green strategies	242
Guanxi	245
History of strategic thought	247
Human capital	250
Hypercompetition	251
Industrial organization	255
Industry analysis	256
Information goods	258
Innovation blowback	259
Innovation strategy	260
International strategy	265
Investment intensity	274
Japanese sogo shosha (general trading companies)	277
Joint ventures	278
Kaizen	281
Kanban	282
Keiretsu structures	282
Knowledge management	284

x Contents

Knowledge-based view	285
Lean	289
Learning organization	290
Leveraged buy-outs	291
Life cycle strategy	292
M-form (multidivisional structure)	299
Managing international firms	301
Manufacturing strategy	305
Market share	307
Market structure: the analysis of markets and competition	311
Market-based view	312
Markets and imperfections	313
Matrix structure	314
McKinsey 7S model	315
Mergers and acquisitions	316
Mission	319
N-form	323
Network externalities	324
Network industry strategies	328
Networks	332
Organizational culture	337
Organizational life cycle	343
Organizational structure	346
Outsourcing	347
Pareto analysis	351
Performance measurement	352
PEST analysis	355
Portfolio management	362
Post-acquisition integration	364
Pricing strategy	369
Privatization	372
Product market diversification	377
Profit impact of market strategy (PIMS)	379
Psychological foundations of strategic management	382
Question mark businesses	385
R&D strategy	387
Radar mapping	389
Regulation	390
Related diversification	392
Replacement demand	394

Resource-based view	395
Risk	403
Scenario planning	409
Segmentation	412
Social capital	415
Specialized businesses	416
Stakeholder analysis	417
Stalemate businesses	418
Star businesses	419
Strategic alliances	420
Strategic business unit	424
Strategic decision making	425
Strategic drift	429
Strategic fit	432
Strategic groups	434
Strategic intent	439
Strategic leadership	440
Strategic management	444
Strategic networks	448
Strategic renewal	449
Strategic thinking	452
Strategizing	452
Strategizing routines	455
Strategy	457
Strategy and planning	460
Strategy content	463
Strategy cycle	464
Strategy director	466
Strategy implementation	468
Strategy in service industries	471
Strategy making	478
Strategy process	480
Strategy tools	481
Structuring organizations	486
Substitute products	488
Sunk cost	490
Sustainability	491
Sustainable growth rate	492
Switching costs	494
SWOT analysis	495

xii Contents

Synergy	503
Systems model of strategy	505
Technology and standards in network industries	513
Technology fusion	515
Time-based competition	517
Trade-offs	518
Transaction costs	519
Turnaround strategy	520
Uncertainty	527
Value-based planning	531
Value-based strategy	536
Value chain	539
Value creation and value analysis	543
Value engineering	546
Venture capital	547
Vertical integration strategy	548
Volume businesses	550
Vulnerability analysis	551
Z-score	553
Zaibatsu structures	554
Subject Index	557