

FOUNDATIONS IN STRATEGIC MANAGEMENT

Jeffrey S. Harrison Caron H. St. John



Foundations in Strategic Management

third edition

Jeffrey S. Harrison Cornell University

Caron H. St. John Clemson University





Foundations in Strategic Management, 3e

Jeffrey S. Harrison and Caron H. St. John

VP/Editorial Director:

Jack W. Calhoun

Team Director:

Mike Roche

Senior Publisher:

Melissa Acuña

Acquisitions Editor:

John Szilagyi

Developmental Editor:

Jennifer E. Baker

Marketing Manager:

Rob Bloom

Production Editor:

Stephanie Blydenburgh

Media Developmental Editor:

Kristen Meere

Media Production Editor:

Karen Schaffer

Manufacturing Coordinator:

Rhonda Utley

Production House:

Cover to Cover Publishing, Inc.

Printer:

West Group Eagan, MN

Design Project Manager:

Justin Klefeker

Internal Designer:

Justin Klefeker

Cover Designer:

Justin Klefeker

Cover Images:

© Photodisc

COPYRIGHT © 2004 by South-Western, part of the Thomson Corporation. South-Western, Thomson, and the Thomson logo are trademarks used herein under license.

Printed in the United States of America 2 3 4 5 06 05

ISBN: 0-324-25917-4

Library of Congress Control Number: 2003112933

ALL RIGHTS RESERVED.

No part of this work covered by the copyright hereon may be reproduced or used in any form or by any means—graphic, electronic, or mechanical, including photocopying, recording, taping, Web distribution or information storage and retrieval systems—without the written permission of the publisher.

For permission to use material from this text or product, contact us by
Tel (800) 730-2214
Fax (800) 730-2215
http://www.thomsonrights.com

For more information contact South-Western, 5191 Natorp Boulevard, Mason, Ohio 45040.
Or you can visit our Internet site at: http://www.swlearning.com



PLOT YOUR OWN COURSE

Foundations in Strategic Management treats core topics and current issues in the field directly and concisely without compromising learning. With less than 200 pages and just eight chapters, it flows at a brisk pace. While it is half the size of standard texts, Foundations covers all major strategic management topics, including classic and modern theory; draws on the contributions of leading authors in the field; and interlaces all its presentations with current debates, current perspectives, and current examples. Foundations gives you strategy at its most essential along with the option to build a course to your own particular specifications: to add your own readings, to run a simulation, to select your own cases, to experiment with exercises—in short, to customize your course to suit your teaching style and goals.

Three theoretical foundations, above all other concerns, influenced the shape of this book:

- 1. The traditional strategic management process model, with its emphasis on situation analysis (SWOT), formulation, implementation, and control.
- The resource-based model of strategic management, with its emphasis on acquiring and managing resources that develop sustainable competitive advantages.
- Stakeholder theory, with its emphasis on the organization as the center of a network of contacts with whom mutually beneficial relationships are formed.

Underlying our discussions with these principles kept us on task. In our efforts to deliver content responsive to the very challenging goals you have undoubtedly already set for your students, we searched for a more perceptive way of understanding strategic management and have reason to hope we have found it. While it is easy to be dismissive of strategic management texts that appear to prefer volume to virtue, we like to think that the value of the insights you are able to offer your students far outweighs the wisdom buried in any book, whatever its size.

CURRENT TOPICS

Issues of current relevance—including resource-based theory, interorganizational relationships with stakeholders, ethics and enterprise strategy, transactions cost theory, agency theory, restructuring, global competitiveness, and strategic alliances—are treated with depth and sophistication and incorporate cutting-edge research findings. Aided by more traditional discussions of environmental analysis, organizational analysis, joint ventures, mergers and acquisitions, leveraged buyouts (LBOs), manufacturing strategy, and crisis management, the field's

newest trends stay linked to our focus on strategic management; that is, on strategies and strategic decisions that seek to create a future for an organization with long-range, or "strategic," planning as a central concern. Issues of e-business and the new economy are reflected throughout the text in examples, concepts, assumptions, and inferences.

ACADEMICALLY SOLID, GLOBALLY ENGAGED

Foundations pays particular attention to the fundamentals of strategic management and takes a traditional approach to topical organization. Chapter 1 covers the strategic management process. Chapter 2 discusses the external environment, including both the task and the broad environment. Chapter 3 treats the internal environment, internal resources, and strategic direction. Chapter 4 discusses business-level strategy. Corporate-level strategy is tackled in Chapter 5. Chapter 6 focuses on the implementation of functional strategy and organizational structure. Chapter 7 treats strategic control and restructuring. Chapter 8 covers, in more depth, the important topic of global strategy, although international concepts and examples are integrated throughout the text.

Each chapter references global businesses, as well as specific global strategy issues facing all companies in today's ever-changing business environment. In Chapter 8, individual attention is given to implementation issues with respect to global strategy, but these topics are also integrated into the rest of the chapters where applicable, ensuring that the international perspective is more than skin deep. Domestic firms with international ventures and non-U.S.-based organizations are used both as examples of strategic management theory and as meaningful counterweights to domestic-only operations. Many strategy-formulation topics also include global implementation tactics. This mix is especially true in Chapters 2 and 3, where we describe formulation activities together with their implementation.

As we have alluded, instructors of strategic management face significant challenges in fitting all the material they may want to cover into a single capstone course. We are mindful of these challenges and believe we have written a text that is uniquely supportive of them. Perhaps due to frustration, some instructors have altogether dropped use of any published text; but we hope to regain their allegiance with our coordinated yet flexible approach to teaching the strategic management course, combining a concise concepts text with resourceful instructor ancillaries.

For Instructors

Instructor's Manual with Test Bank. The Instructor's Manual with Test Bank (ISBN 0-324-22374-9) includes questions to prompt class discussion, outlines of chapter material, supplementary lecture materials, video recommendations, notes on the chapter-opening case vignettes, and a bank of test questions.

PowerPointTM Presentation Slides. Over 150 PowerPoint slides, with accompanying summaries in PowerPoint's NotesView, are available to supplement course content. To download now, visit *Foundations'* supporting website at http://harrison.swlearning.com.

Preface vii

For Students

Strategize! Experiential Exercises in Strategic Management. Written by Julie I. Siciliano of Western New England College, and C. Gopinath of Suffolk University, *Strategize!* (ISBN 0-324-25912-3) provides a series of "Strategy Sessions" through which students can evaluate strategic management theories in incremental and structured ways in advance of applying them to resolve strategic business case problems. Constructed around 17 unique action-oriented Strategy Sessions, *Strategize!* presents a range of experiential exercises and projects for use in class or out. (An accompanying Instructor's Manual is available, ISBN 0-324-28823-9.)

ACKNOWLEDGMENTS

In developing this text, we would like to acknowledge the efforts of the editorial staff at South-Western, in particular John R. Szilagyi, Executive Editor; Jennifer Baker, Developmental Editor; and Stephanie Blydenburgh, Production Editor. We would also like to gratefully acknowledge the assistance of our colleagues for providing insightful comments and advice on what the current needs of today's instructors are. We appreciate their involvement in this project:

Behrouz Aslani

California State Polytechnic University,

Pomona

Kenneth Aupperle *University of Akron*

Sidney L. Barton University of Cincinnati

Joseph E. Benson

New Mexico State University

Lavon Carter
Harding University

Suzanne M. Carter *University of Notre Dame*

Anthony Chelte

Western New England College

Roy A. Cook Fort Lewis College

Walter O. Einstein

University of Massachusetts, Dartmouth

Ronald W. Ferner

Philadelphia College of Bible

Karen A. Froelich

North Dakota State University

Arthur Goldsmith

University of Massachusetts, Boston

Ernest H. Hall

University of Southern Indiana

Phyllis G. Holland Valdosta State University

David Marshall Hunt

University of Southern Mississippi

David J. Ketchen, Jr. Florida State University

Richard Kustin Holy Names College

Ed Leonard

Indiana University-Purdue University

Fort Wayne

Deborah R. Litvin Simmons College

Benjamin Oviatt

Georgia State University

Rodley C. Pineda Tennessee University

Douglas Polley

St. Cloud State University

Susanne Polley
SUNY College at Cortland

Maryanne M. Rouse University of South Florida

Alice M. Sapienza Simmons College

Dwaine Tallent St. Cloud State University

Andrew Watson Northeastern University

We hope you enjoy this text and find that it accommodates your individual needs.

Jeff Harrison Caron St. John

A FINAL NOTE TO STUDENTS

Although we recognize that most students of strategic management will not become chief executives of major corporations in the very near future, you should likewise recognize that strategy is not just for those who achieve top-leadership positions. The decision-making tools you develop during this course are extremely relevant to all organizational levels, including many career-entry positions as well as to your own career planning. You won't be long on the job before you discover that the techniques of strategic management, such as those required to pull together an industry or organizational analysis, are highly applicable to all types of organizations, including small entrepreneurial firms and nonprofits. In addition, the material contained in this book will help you understand, appreciate, and think critically about trends of current and future importance to the business community—all formidable skills.

Studying strategic management will help you become better prepared to deal and stay fully engaged with important issues in our increasingly complex, increasingly global business environment, regardless of your position or of the industry in which you work. We strongly encourage you to apply the concepts of strategic management to your own employment and career planning decisions. Many of our students have told us that their understanding of strategic management impressed recruiters and allowed them to ask perceptive questions during interviews. Your understanding of strategic management should not be the artifact of a short stay in a classroom. Don't be tempted to treat it as such.

Dedication:

To Our Parents



Chapter	1	THE STRATEGIC MANAGEMENT PROCESS 2
Chapter	2	THE EXTERNAL ENVIRONMENT 18
Chapter	3	THE INTERNAL ENVIRONMENT
		AND STRATEGIC DIRECTION 38
Chapter	4	BUSINESS STRATEGY 58
Chapter	5	CORPORATE STRATEGY 76
Chapter	6	STRATEGY IMPLEMENTATION 96
Chapter	7	STRATEGIC CONTROL AND RESTRUCTURING 120
Chapter	8	STRATEGIES IN AN INTERNATIONAL CONTEXT 140
ppendix	1	PREPARING A STRATEGIC ANALYSIS 157



1	THE STRATEGIC MANAGEMENT PROCESS	2
	What Is Strategic Management? External and Internal Environmental Analysis Strategic Direction Business and Corporate Strategy Formulation Strategy Implementation and Control Strategic Restructuring	4 6 6 7 8
	Alternative Perspectives on Strategy Development Determinism Versus Enactment Deliberate Versus Emergent Strategy Formulation Stakeholder Analysis and Management The Resource-Based View of the Firm	8 10 11 11
	Ethics and Social Responsibility	13
	The Case for Going Global	14
	Key Points Summary	16
	References	16
2	THE EXTERNAL ENVIRONMENT	18
	The Broad Environment Socio-cultural Forces Economic Forces Technological Forces Political/Legal Forces	20 22 23 24
	The Task Environment Competitive Forces External Stakeholders and Environmental Uncertainty Partnering with External Stakeholders	25 26 30 31
	Strategic Groups	34
	Key Points Summary.	35
	References	35
3	THE INTERNAL ENVIRONMENT AND STRATEGIC DIRECTION	38
	The Internal Environment	40
	The Chief Executive Officer	40
	Boards of Directors and Agency Costs	42
	Employees and Culture	45
	Internal Resources and Competitive Advantage	45 49
	Establishment of Strategic Direction	52
	Organizational Mission	52
	Business Definition.	53
	Organizational Vision	54 55

	Key Points Summary					*							*	*	56
	References														56
4	BUSINESS STRATEGY	ş		×						*			*		58
	Growth Strategies		 *	*		*						*			61
	Internal Growth Strategies														61
	External Growth Strategies														63
	Stability Strategies														64
	Timing of Growth Strategies														65
	Generic Competitive Strategies														65
	Cost Leadership														66
	Differentiation														68 69
	Best Cost														70
	Changes in Strategy Over Time														71
	Key Points Summary														74
	References		 *					* 1	 	1			. •	18	74
5	CORPORATE STRATEGY								 e .	٠					76
	Development of Corporate Strategy														78
	Single Business/Concentration.														79
	Vertical Integration														80
	Diversification Strategies														82
	Diversification Methods														84
	Portfolio Management														89
	Boston Consulting Group Matrix														89 92
	The General Electric Business Screen.														
	Key Points Summary														93
	References		 *			*	*			*	*	٠	٠		93
6	STRATEGY IMPLEMENTATION .	* :	 *	* 1			*		 			*			96
	Functional Strategies														98
	Marketing Strategy														98
	Operations Strategy														99
	Research and Development Strategy														100
	Information Systems Strategy														101
	Human Resources Strategy														102 102
	Integrating Functional Strategies														102
	Business-Level Structures														107 107
	Product/Market Structure														107
	Project Matrix Structure														110
	Network Structure														111
	Corporate-Level Structures														111
	Multidivisional Structure											*	*	*	113
	Strategic Business Unit Structure											-	is is		114
	Corporate Matrix Structure														115
	Transnational Structure														117
	Key Points Summary				- 100										118
	References														118

7	STRATEGIC CONTROL AND RESTRUCTU	IRI	[N	G			 120
	Strategic Control Systems Feedback Controls Concurrent Controls Feedforward Controls Comprehensive Strategic Control Systems						 122 124 128 129 131
	Strategic Restructuring Refocusing Corporate Assets Retrenchment Chapter 11 Reorganization Leveraged Buyouts Structural Reorganization Key Points Summary References					 	 131 133 134 135 135 136 137
8	STRATEGIES IN AN INTERNATIONAL CO	N'	ΤЕ	ΧT			 140
	Globalization of Business						 142
	Competitive Advantages of Nations						 145
	Global Businesses						146
	Global Business Strategies Global Product/Market Approach Global Expansion Tactics Enhancing Global Business Strategies						 147 147 148 149
	Global Corporate Strategies						150
	Executing Global Strategies						151
	The Challenge of the Future						152
							154
	Key Points Summary.						154
	References				٠	 ٠	 133
AP	PENDIX 1 PREPARING A STRATEGIC ANALYSIS						 157
	Structuring an Environmental Analysis Industry Analysis External Stakeholders and the Broad Environment Strategic Issues Facing the Industry Structuring an Organizational Analysis						 158 158 159 161 162
	Evaluation of the Internal Environment Identification of Resources and Capabilities Performance Evaluation Sources of Competitive Advantage						 162 163 163 164
	Developing a Strategic Plan Strategic Direction and Major Strategies Evaluation of Opportunities and Recommendations Implementation and Control A Note to Students						 164 165 165 167



The Strategic **Management Process**

What Is Strategic Management?

External and Internal Environment Analysis Strategic Direction **Business and Corporate Strategy Formulation** Strategy Implementation and Control Strategic Restructuring

Alternative Perspectives on Strategy Development

Determinism Versus Enactment Deliberate Versus Emergent Strategy Formulation Stakeholder Analysis and Management The Resource-Based View of the Firm

Ethics and Social Responsibility

The Case for Going Global

Key Points Summary

Human Resource Management: Essential Perspectives, 3e

Robert L. Mathis and John H. Jackson 0-324-20217-2 Available January 2004

The management of human resources is growing in impact in the United States and throughout the world. Frequent headlines in the news media include down-sizing, workforce shortages, sexual harassment, union activity, and U.S. business practices abroad. HR issues affect us all, which makes it beneficial to become more knowledgeable about HR management. *Human Resource Management: Essential Perspectives* provides a thorough and well-researched overview of HR management that both HR practitioners and students can use. The condensed and streamlined text content is presented in a way that makes sense to a variety of learners. Its brevity allows instructors to tailor their courses by incorporating additional readings and cases of their choosing.

A Primer for Management

Michael P. Dumler and Steven J. Skinnner 0-324-27111-5 Available January 2004

A Primer for Management is a concise introduction to the functions of management. It charts the links between management's essential concepts and their applicability to today's organizations, but its real strength lies in the way that it distills the big ideas. All the important concepts that instructors try to communicate to their students—how to build, plan, organize, lead, control, and sustain organizations—are covered in this brief and streamlined text. Its brevity allows instructors to tailor their courses by incorporating additional readings and cases of their choosing.

Samuel J. Palmisano is really shaking things up at IBM. As the chief executive officer (CEO) who follows the successful late 1990s turnaround orchestrated by Louis V. Gerstner, the pressure is on. However, he does not seem intimidated by the challenge. In fact, he wants to restore IBM to its former greatness through a different approach to management and a bold new strategy.

In the executive suite, Palmisano has disbanded the 12-person executive management committee that has presided over the company's strategic initiatives for nearly a century. Palmisano believes the committee was slowing things down. He also dramatically reduced his own bonus and directed it toward compensating other top executives based on their performance. He fosters an egalitarian culture, with managers receiving leadership training so that they are better able to lead their subordinates. His belief is that innovation comes from the laboratories, at customer locations, or on the manufacturing floor, not from top management.

Palmisano has also challenged IBM with a new strategic initiative called "E-business on Demand." The basic idea is that IBM will help its customers to standardize all of their computing needs. Then much of their computing will be handled on central IBM systems so that they do not have to add more capacity internally. The system will work much like an electric or water utility. IBM is already devoting over \$1 billion of its research budget to the project.

The most successful organizations are able to acquire and manage resources and capabilities that provide competitive advantages. CEOs play a pivotal role in this process, as they lead in the development of strategies and oversee their execution. In the IBM example, we see a CEO who dramatically altered the way human and other resources are managed and promoted a strategy intended to give the company an advantage over rivals that will be difficult for them to imitate. These processes are a part of what is generally referred to as *strategic management*.

WHAT IS STRATEGIC MANAGEMENT?

Strategic management is the process through which organizations analyze and learn from their internal and external environments, establish strategic direction, create strategies that are intended to help achieve established goals, and execute those strategies, all in an effort to satisfy key organizational constituencies, which are called stakeholders. A simple model of the strategic management process is illustrated in Exhibit 1.1. The model is not rigid, but simply represents a useful sequence in which to frame the central topics of strategic management. For a firm engaged in a formal strategic planning process, the activities will likely occur in the order specified in the model. In other situations, the activities may be carried out in some other order or simultaneously. Also, the dotted arrows in Exhibit 1.1 indicate that organizations often cycle back to earlier activities during the strategic management process.

External and Internal Environmental Analysis

External environmental analysis, discussed in Chapter 2, involves evaluation of the broad and task environments to determine trends, threats, and opportunities and to provide a foundation for strategic direction. The *broad environment* con-

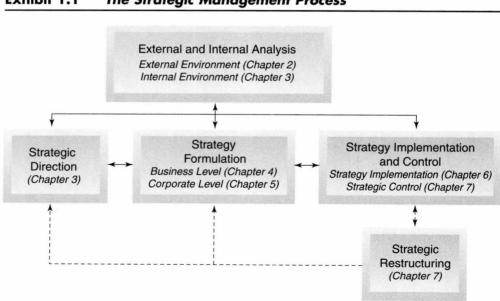


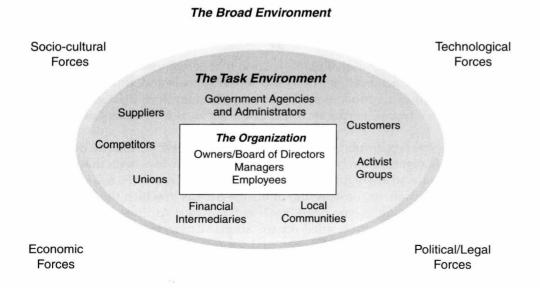
Exhibit 1.1 The Strategic Management Process

sists of domestic and global environmental forces such as socio-cultural, technological, political, and economic trends. The broad environment forms the context within which the firm and its task environment exist. The *task environment* consists of external stakeholders. *External stakeholders* are groups or individuals outside the organization that are significantly influenced by or have a major impact on the organization.² Examples of external stakeholders include customers, suppliers, competitors, government agencies and administrators, and a variety of other external groups that have a stake in the organization. Many of the stakeholders and forces that have the potential to be most important to organizations are shown in Exhibit 1.2. All of the external stakeholders should be analyzed at both the domestic and international levels. In all of the countries in which a company operates, managers must interact with government agencies, competitors, and activist groups, and manage the organization within the countries' sociocultural, political, economic, and technological context. Thus, Exhibit 1.2 contains both a global and a domestic dimension.

Internal stakeholders, including managers, employees, and the owners and their representatives (e.g., board of directors), also have a stake in the outcomes of the organization. A fully developed internal analysis also includes a broader evaluation of all of the organization's resources and capabilities, to determine strengths, weaknesses, and opportunities for competitive advantage, and to identify organizational vulnerabilities that should be corrected. Internal analysis is the subject of Chapter 3.

Often the results from external and internal analysis are combined into a SWOT analysis, which stands for strengths, weaknesses, opportunities, and threats. *Strengths* are firm resources and capabilities that can lead to a competitive advantage. *Weaknesses* are resources and capabilities that the firm does not possess but that are necessary, resulting in a competitive disadvantage. *Opportunities* are conditions in the broad and task environments that allow a firm to take

Exhibit 1.2 The Organization and Its Environments



此为试读,需要完整PDF请访问: www.ertongbook.com