

STRATEGIC MANAGEMENT

CONCEPTS AND EXPERIENCES

LESLIE W. RUE

PHYLLIS G. HOLLAND

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STRATEGIC MANAGEMENT

CONCEPTS AND EXPERIENCES

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Concepts and Experiences

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PREFACE

As is the case with most authors, we have made some significant changes in the second edition of this book. The field of strategic management has continued to evolve, and we have learned some lessons from the first edition.

As in the first edition, this text is organized around what we think is a simple, yet logical model of the strategic management process. We believe that use of this model makes the concepts easy to comprehend for the reader and easier to teach for the instructor. Building on the positive feedback from the first edition, we have used even more real-life examples and illustrations in this edition. It is our hope that these examples and illustrations will add a dimension of realism not usually found in college textbooks. Other significant changes in this edition include a new chapter on international and global strategies. Also, the first edition chapter covering financial analysis has been placed in an appendix following Chapter 12.

In the first edition, we placed two cases at the end of each chapter. The idea was to provide cases that could be used to directly reinforce the major ideas in the respective chapters. While we think this approach was successful, many users found it to be overly restrictive. Therefore, in this edition, all the cases are numbered sequentially and placed in alphabetical order at the back of the book. In the instructor's manual we have provided a matrix which clearly indicates which cases we think can best be used with each chapter. We feel that this approach will give instructors much more latitude without compromising our major intent.

We believe that our instructor's manual is one of the best available. It contains suggested course syllabi, summaries, and detailed outlines of each chapter, suggested answers to the chapter review and discussion questions, transparency masters, exam questions, and detailed analyses of each case. It should also be pointed out that each case is analyzed using a similar format. For those users who have access to a personal computer, the supplemental McGraw-Hill manual, *Strategic Case Analysis Using the Personal Computer*, by Benjamin

Harrison has been completely revised. This manual and software were written for analyzing the cases in this book.

We realize that our goals for this book are high. We have sincerely tried to meet these goals, and we hope you will agree that we have been at least partially successful.

Like most authors, we are indebted to numerous friends, family, students, and colleagues. First and foremost, we would like to acknowledge the support of our spouses to whom we have dedicated this book. Additionally, we would like to thank the following people for their very frank and helpful reviews: William D. Fitzpatrick, Villanova University; William B. Gartner, Georgetown University; George J. Gore, University of Cincinnati; Joseph G. P. Paoulo, University of Mississippi; Michael T. Quinn, California State University; Peter Ring, University of Minnesota; Sidney R. Siegel, Drexel University; Scott Traxler, Averett College; and Frank C. Wright, California State University.

We would also like to thank each person who contributed one or more cases to the book. These individuals are acknowledged at the beginning of their respective cases. Thanks are extended to Thomas B. Clark, Chairman, Department of Management at Georgia State University and John Oliver of Valdosta State College for providing environments which actively supported this project. Special thanks go to Caron St. John of Clemson University who wrote most of Chapter 12 and to Vidyarana Gargeya and Howard Hopewood who provided assistance in many phases of this project. Last, but not least, our sincere thanks go to Loyce McCarter for her typing and editing assistance. Loyce is simply the best with whom we have ever worked.

Leslie W. Rue
Phyllis G. Holland

CASE METHODS

A GUIDE FOR STUDENTS PREPARING CASE ASSIGNMENTS

The problems of strategic management are often unstructured. It is clear that *something* is wrong in the organization, but defining the problem is as much of a challenge as is finding a solution. In an actual business or agency, strategists are constantly receiving information, trying to discern patterns in the information, and taking action based on their perceptions of these patterns. A case provides the student with a similar situation. There is a mass of information which must be digested and sorted into problems to be solved. The student, like the manager, will find that while irrelevant information is included in the case, some key facts are not available and the time and/or cost involved in obtaining those facts is prohibitive.

The purpose of this case methods guide is to provide some guidance for those unfamiliar with the analysis of cases. Subsequent sections will discuss reading a case, analyzing the materials presented, and presenting the results of the analysis in written and oral form.

HOW TO READ A CASE

It may seem obvious that one reads a case by starting at the beginning and reading each sentence in turn until the end. The physical process of reading the case is, of course, the same as that for any other written material, but some alterations in this process can make the next step, analysis, go more smoothly.

For all readings (yes, plan several), have a pad and pen handy for note taking. Highlighting doesn't work well for cases unless you use several colors, because you need to categorize information. A pad with several columns marked off will be much more helpful. To begin with, read the case for the two C's: chronology and characters. List major events with their dates in a col-

umn, and make notes about the people in the case: personal characteristics, background, position and experience, relationships, and perceptions of the situation. This first reading should give you a feeling for the setting, major events, and people that make up the context of the case. You *should not* draw any conclusions without further analysis, no matter how obvious the problems and solutions may first appear.

ANALYSIS OF CASE MATERIAL

Analysis of a compound in chemistry means breaking the compound down so that the elements that make it up can be identified. Analysis of a case means “taking the case apart” to identify cause-and-effect relationships and make feasible recommendations. A case is like a complex puzzle, and analysis corresponds to finding the clues and fitting them together so that the puzzle can be solved. You must read a case to analyze it, but reading is only the first step.

Quantitative Analysis

Many of the “clues” in most cases are given in the balance sheet and income statements, and ratios must often be calculated to reveal these clues. This information can also be used to calculate break-even points, contribution ratios, and rates of growth which can be funded internally.

Other quantitative data (unit sales, industry advertising expenses, consumption patters, etc.) are likely to appear also. Always convert such information into percentages if possible. Percentage figures are more informative than absolute numbers because they do not allow problems to hide behind growth. In the following simple example, Brand B has shown increased sales for the 3 years shown and has been the sales leader each year. However, because of the rate of market growth, it is actually losing ground. This can be shown by calculating the market share for each brand each year or by calculating the growth rate for each brand and for the market as a whole.

SALES (\$1000s) Example:

	1986	1987	1988
Brand A	25	35	40
Brand B	50	55	60
Brand C	25	30	40
Total	100	120	140

Market share			% Change from previous year		
	1986	1987	1988		
Brand A	25%	29%	28.5%	Brand A	— + 40% + 14%
Brand B	50	46	43	Brand B	— + 9 + 9
Brand C	25	25	28.5	Brand C	— + 20 + 33
	100%	100%	100 %	Total	— + 20% + 17%
				Average	— + 23 + 19

As you study a case, take time to manipulate the quantitative data in any way that seems appropriate and informative. This will help you spot trends and focus on strengths and weaknesses.

Beyond Quantitative Analysis

Other analytical methods used will vary with the case. The text provides descriptions of many tools, including industry analysis, portfolio analysis, determination of competitive advantage, etc., as well as checklists of questions to evaluate the functional areas. Always be alert for ways to apply concepts that you have discussed in class or read about in the text.

A columnar list is a simple but useful tool for organizing your analysis. The format below is one possibility:

Facts and Opinions	Problems	Alternatives
—	—	—
—	—	—
—	—	—

The facts and opinions are supplied from your reading and analysis. Note in this column anything that appears unusual (positive or negative). If the entry is not objectively verifiable, note the person on whose opinion the entry is based. An example of a fact would be, "Sales growth below market growth for previous 2 years." An opinion would be, "Sales manager says sales force not pushing product B." In a creative but careful fashion, you must group facts and opinions into underlying problems. Several alternatives should be considered for each problem.

A strengths, weaknesses, opportunities, and threats (SWOT) analysis is an aid for both generating and evaluating alternatives. Again, the format is simple. Using a matrix, list the internal strengths and weaknesses of the organization in the upper-left and -right quadrants and list the external environmental

<i>Strengths:</i>	<i>Weaknesses:</i>
<i>Opportunities:</i>	<i>Threats:</i>

opportunities and threats in the lower-left and -right quadrants. Alternatives which capitalize on strengths to take advantage of opportunities are generally the most attractive. An alternative whose success depends on an identified weakness is suspect.

Keep in mind that all cases are not problem-oriented. You need to be able to recognize a company that is successful and to identify through analysis the causes of its success as well as any potential threats. When the Facts and Opinions column is mostly positive, a better heading for the Problems column might be "Threats to Continued Success."

Pros and Cons

In evaluating alternatives (always think of more than one), think through the implementation of each alternative by listing pros and cons. No solution is perfect, and consideration of positive and negative aspects will give you a feel for the trade-offs among alternatives. Being able to demonstrate that you are aware of these trade-offs indicates that you have done a thorough analysis.

PRESENTING THE RESULTS OF ANALYSIS

Reading and analyzing the case provides the raw material from which you will present your case evaluation. In typical courses in strategic management, presentations may be oral or written and may be made by individuals or groups. Written and group oral presentations tend to be more structured than open class discussion, in which students may interject their comments into an ongoing discussion. All these situations reflect important ways of surfacing ideas and studying problems in organizations, and they present opportunities for you to develop useful skills.

Class Discussion

The oral discussion of a case—with individual students contributing insights to issues as they arise and challenging the remarks of others—can be intimidating as well as stimulating. The following hints are intended to help reduce the intimidation surrounding this approach:

- 1 Be prepared with the facts of the case and be as specific as possible in your comments.

Typical: The company has grown steadily in the last few years.

Better: The 10 percent annual growth experienced in 1985 and 1986 increased slightly in 1987 and 1988 to 11 percent.

- 2 Provide comparative data to add dimension to your comments.

Example: The slight increase in growth rate (from 10 percent annually in 1985 and 1986 to 11 percent in 1987 and 1988) has been achieved during a general recession and in an industry growing at about 8 percent annually.

- 3 Enter the discussion early. Taking a position and defending it adds to in-

terest, catches the attention of the other students, and will result in a better evaluation for you.

4 Know when to drop an issue or retreat from a position. You will not always be right and will make a better showing by gracefully conceding a point than by defending it to death.

5 Don't hesitate to challenge an error, a misinterpretation of fact, or an opinion with which you disagree, but do it with tact. Never interrupt or belittle another student. Listen to the discussion. Some students get so involved in thinking about what they are going to say next that they repeat material previously discussed because they didn't hear the point being made earlier.

6 Build on other students' comments. Don't abruptly shift the discussion unless asked to do so. Try to relate your comments to those that immediately preceded them.

7 Don't worry about saying you don't know some detail or hadn't thought of something when asked a direct question that you can't answer. Do offer some opinion or information that you think is relevant, even if it is not the exact information sought.

Written Case Reports

In addition to oral discussion, you will probably be responsible for written analysis and recommendations for some cases. Your task is to present your reader with the results of your thinking in a form which is easy to follow and reflects the quality of your effort. The following suggestions should help you produce a report that achieves these aims:

1 Be very clear about the assignment and its constraints and strictly adhere to length, format, and content instructions. If at all possible, type reports and be very particular about spelling and grammar. A paper with a sloppy or carelessly written appearance is a liability to its contents. Allow enough time to produce a paper with a finished appearance.

2 Be direct about your conclusions and recommendations. Tell the reader early in the paper where you are going and how the material you are presenting in the report supports your conclusions. The element of surprise is vital to a whodunit, but no manager wants to have to read through several pages of material just to find out the major points of the report. Often, the manager doesn't really want to read it at all, and if you can save him or her valuable time by the way you structure reports, you will be performing a real service.

3 Use subheadings to organize your paper. This will help the reader follow your thoughts, save space by making lengthy transitions unnecessary, and help you to see whether you have covered all the points you intended to cover in a logical sequence.

4 Use lists, charts, tables, flowcharts, and diagrams where appropriate. Financial analysis lends itself to tabular presentation. Simply refer the reader to a table of ratios which you attach to the report, rather than taking up space with a tedious recital of financial results. Similarly, a diagram of a distribution system, a listing of alternatives with pros and cons, a time line, or an organi-

zational chart conveys much information in a limited space. These graphic representations are also easily transformed into transparencies when more formal presentations are required.

5 Beware of summarizing the case. You can safely assume (unless instructed otherwise) that your instructor is familiar with the facts of the case and does not want to read an extensive summary of the case. If you find that your report repeats case material without manipulating it or presenting new insights, you are probably summarizing. This frequently results from moving directly from case reading to case writing without performing adequate analysis. Remember, you must take the case apart and put it back together again so that problems are defined and solutions presented.

6 Recommendations should be specific actions addressed to individuals who have the authority and responsibility to carry them out.

Typical: This company needs to get a better idea of its market.

Better: Mr. Pickett, vice president of marketing, should conduct studies of specific consumer groups to determine how the product is being used.

Best: Ms. Johnson, sales manager, and Mr. Weiss, marketing research manager, should meet with the sales force each quarter to discuss (1) specific complaints, (2) adaptations of the product to new uses by customers, and (3) orders lost to competitors. The results of this meeting should be summarized by Mr. Weiss and reported to Mr. Pickett.

Oral Reports

You may be asked to present a case analysis to your classmates. This gives you an opportunity to practice making formal presentations, a skill you will frequently use in most organizations. Assuming you have done a thorough job of case analysis and made feasible and creative recommendations, the critical aspects of an oral presentation are catching and holding the interest of your audience so that your listeners are receptive to the information you wish to convey. Very seldom is the case itself or your analysis so intrinsically fascinating that they carry themselves. Some suggestions are presented below for gaining and holding attention.

1 Time your presentation, and make cuts so that you fall within the allotted time. If you are not accustomed to making presentations, you will be amazed at how time flies when you are talking about something to which you have devoted a lot of effort.

2 If you are talking more than 5 minutes, you will need to jog your listeners periodically. This can be done by soliciting their active involvement (have them write something down or ask a direct question) or by doing something different yourself (move across the floor, change your voice, introduce props or aids).

3 Don't read. Maintain eye contact with the audience at all times. Put in the time it takes to become familiar enough with your material to be able to look mostly at your audience. Speak clearly, audibly, and distinctly.

4 Use props, audiovisual aids, and handouts. Be sure the aids you choose are appropriate; are easily seen from the back of the room (transparencies

typed in standard-sized typeface don't usually meet this criterion); and enhance, rather than distract from, your presentation. Practice will prevent fumbling with unfamiliar objects.

5 Appearance counts. You probably don't have to go all out in your job interview finery, but you should be neatly dressed and well groomed. Avoid items of dress that would distract the audience from what you are saying.

6 If your group is large, consider having one or two of the best speakers make the presentation (with your instructor's permission). Switching speakers can be awkward and distracting.

CONCLUSION

Case preparation and presentation is one of the most challenging and rewarding aspects of the course. As you develop and refine your skills, you will find that they apply to numerous situations in your professional and personal life. Remember that each case requires significant amounts of time. If you do not allocate your time wisely, you may find that you are expending considerable energy without receiving commensurate rewards.

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