

FORMULATION AND IMPLEMENTATION OF COMPETITIVE STRATEGY

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FORMULATION AND IMPLEMENTATION OF COMPETITIVE STRATEGY

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**To Mary Frances and Jack Pearce
Mattie Robinson and Frank Fletcher**

PREFACE

The third edition of this book is the culmination of 10 years of diligent work on the part of many people. This preface is designed to provide you with an overview of the content of the third edition and to recognize the many contributors to it. To do this we have divided the preface into three sections. The first section is addressed to the student and is designed to give this first-time user a concise overview of the structure and content of the book. The second section is addressed to the instructor and is designed to give the person familiar with our previous editions a sense of what is new. The third section acknowledges the many contributors to this ongoing project.

To the Student

Formulation and Implementation of Competitive Strategy, third edition, is a book designed to introduce you to the critical business skills of planning and managing strategic activities. It incorporates two teaching approaches: text and a cohesion case.

The text portion of this book provides you with a readable, up-to-date introduction to the management of strategy in the business enterprise. We have tried to integrate the work of strategic management theorists, practitioners, and researchers with a strong emphasis on real-world applications of strategic management concepts. To further this aim, we have included Stra-

tegy in Action reports across 13 chapters which give current examples of the application of key concepts by well-known business firms.

The structure of the text material is guided by a comprehensive model of the strategic management process. The model will help you acquire an executive-level perspective on strategy formulation and implementation. It provides a visual display of the major components of the entire process and shows both how they are conceptually related and how they are sequenced through the process.

The major components of the model are each discussed in depth in separate chapters, thereby enabling you to acquire detailed knowledge and specific skills within a broad framework of strategic management. The use of the model is also extended to the Cohesion Case, where you will be guided in disciplined, systematic, and comprehensive study of an actual strategic dilemma.

The Cohesion Case offers a particularly unique feature designed to aid both the student and the teacher of strategic management and business policy. We have taken a well-known, multi-industry firm—Holiday Inns, Inc.—and used it as the basis of an in-depth case study to illustrate in detail the application of the text material. To do this, we provide a cohesion case section at the end of each chapter which applies the chapter material to the company. The Holiday Inns, Inc., case offers a clear illustration of the corporate, business, and functional levels of strategy—so important to the understanding of strategic management in today's corporate environment.

The Cohesion Case offers several benefits to the reader:

- It provides a continuous illustration of the interdependence of the various parts of the strategic management process by using the same enterprise throughout the chapters.
- It provides a useful aid in understanding the text material when the primary emphasis in the course is to be on case studies or other nontext analysis.
- It provides a useful aid in preparing for the case analysis component of the course, in the event that the instructor prefers to emphasize the conceptual material.
- It offers an in-depth basis for class discussion of strategic management concepts, application, and ideas for any classroom pedagogy.

To the Instructor

This third edition of *Formulation and Implementation of Competitive Strategy* provides a thoroughly revised, state-of-the-art treatment of the critical business skills of planning and managing strategic activities. We have reorganized our treatment of strategic management into 13 chapters; added critical pedagogical features; condensed the material into fewer pages; expanded the number of “real-world” examples; condensed and updated the Cohesion Case; and

further incorporated the work of contemporary scholars into our coverage of strategic management. We feel confident you will find the material well organized, laden with current examples, and reflective of new contributions in the strategic management literature while retaining a structure guided by our time-tested model of the strategic management process.

We have revised and condensed the Cohesion Case while retaining Holiday Inns, Inc., as the company that we examine. We have been pleased with the response of both students and instructors to this innovative, pedagogical feature we pioneered in this book. While the Cohesion Case has been recognized by many as one of the unique pedagogical advances in business policy this decade, we have endeavored to add still more self-teaching aids to this edition.

We have expanded our strategic management teaching package for this edition. In our second edition, we pioneered the use of computer-assisted strategic analysis with the introduction of *Strategic Analyst* to accompany our textbook. *Strategic Analyst* allowed the student to conduct a computer-based, systematic analysis of the strategic options available to a business and do so with built-in linkages to our text. *Strategic Analyst* is still available with this third edition.

Other components of our teaching package include a totally revised and enhanced *Instructor's Manual*; a set of four-color teaching transparencies; a computerized version of our test bank; *Strategic Management: Strategy Formulation and Implementation*, a hardback offering text and case coverage of strategic management identical to that in this book; *Company and Industry Cases in Strategy and Policy*; and a paperback offering 28 cases and industry notes. Each of these components of our teaching package offers the instructor optimal, integrated flexibility in designing and conducting the strategic management course.

Changes to Our Text Material

The literature and research comprising the strategic management field have been developing at a rapid pace in recent years. We have endeavored to create a third edition that incorporates major developments in this literature while keeping our focus centered on a simple, understandable framework through which students can begin to grasp the complexity of strategic management. Several text revisions or additions you should be aware of are described below:

- A new chapter has been added covering international issues and strategic management in an international setting.
- The three-chapter set on external analysis has become four chapters plus a supplement on sources of industry data. Separate chapters now cover the nature of external environments, environmental forecasting, industry analysis, and the international business setting. While the number of chapters is expanded, the material has been condensed and streamlined, affording a concise, practical treatment.

- A major new section has been added on the topic of “strategic control.” Three basic types of strategic control and ways to use them are highlighted in this material.
- Organizational culture as a central dimension of strategy implementation has received significantly greater attention in Chapter 12 of this edition. Several useful analytical concepts and techniques that aid identification and management of the strategy–culture interface are incorporated to aid the student in understanding the culture concept.
- Two useful supplements now accompany our text material. A revised guide to financial analysis is provided following Chapter 8—Internal Analysis. It provides perhaps the most thorough and easy-to-use guide to quantitative analysis of financial and operating information available in any strategic management text. A guide to industry information sources follows Chapter 5—Environmental Forecasting. It has been revised and updated for this edition. Students will find it most helpful in rapidly orienting them to where and how to get company and industry data.
- We have increased the number of Strategy in Action Illustration Capsules by 30 percent. The text material now contains 43 of these illustration vignettes, 35 of which are new to this edition. Each Strategy in Action provides a contemporary business example of a key chapter topic to interest the student and aid learning.
- Our popular Cohesion Case feature has received considerable attention this edition. We have continued the use of a well-known, multi-industry firm—Holiday Corporation (Holiday Inns, Inc.)—as an in-depth case study to illustrate in detail the application of the text material. We also continue to provide cohesion case sections at the end of each chapter, which apply chapter material to the Holiday situation. We have updated the material about Holiday Corporation, and we have streamlined and shortened its presentation, making this feature even more appealing and useful.

In conclusion, we are confident you will find the text material in this third edition well organized, concise, filled with current examples, and consistent with the current theory and practice of strategic management.

Acknowledgments

The development of this book through three editions has been greatly enhanced by the generous commitment of time, energy, and ideas from the following people:

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In using this text, we hope that you will share our enthusiasm both for the rich subject of strategic management and for the learning approach that we have taken. We value your recommendations and thoughts about our materials. Please write Jack at the School of Business Administration, George Mason University, Fairfax, Virginia 22030, or Richard at the College of Business Administration, University of South Carolina, Columbia, South Carolina 29208.

Jack Pearce
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Elected to more than a dozen offices in national and regional professional associations, Professor Pearce has served as Chairman of the Academy of Management's Entrepreneurship Division, Strategic Management and Entrepreneurship Track Chairman for the Southern Management Association, and Strategy Formulation and Implementation Track Chairman for the Decision Sciences Institute. He is also the 1989 President-elect of the Southern Management Association.

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Professor Robinson is the recipient of several awards in recognition of his work in strategic management and entrepreneurship. Sponsors of these awards include the Heizer Capital Corporation, the Academy of Management, the Center for Family Business, the National Association of Small Business Investment Companies, the Southern Business Administration Association, the Small Business Administration, the National Venture Capital Association, and Beta Gamma Sigma. He has also held offices in the Academy of Management, the Southern Management Association, and the International Council of Small Business. Professor Robinson is an active consultant in the strategic management of growth-oriented ventures.

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