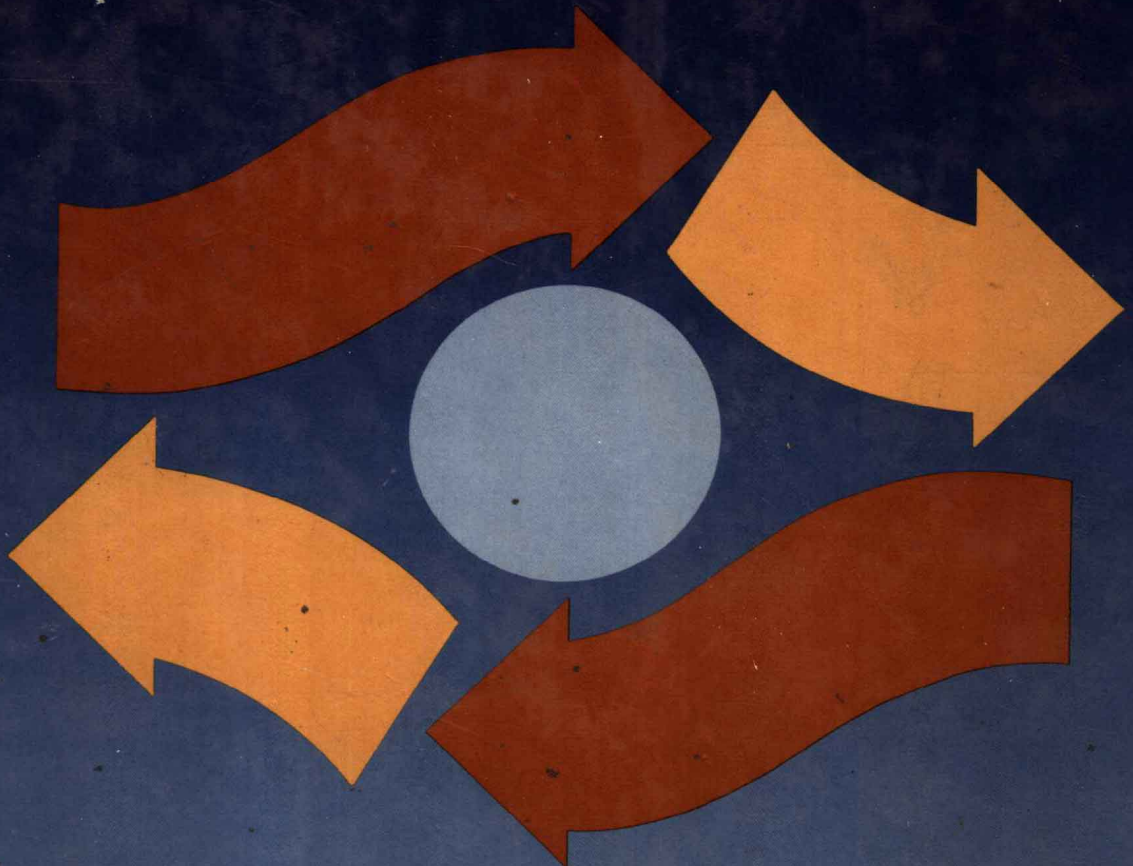


Second Edition

**STRATEGIC
MANAGEMENT
AND BUSINESS
POLICY**

**THOMAS L. WHEELEN
J. DAVID HUNGER**



Second Edition

STRATEGIC MANAGEMENT AND BUSINESS POLICY

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PREFACE

This book was written in order to provide the reader with a more comprehensive understanding of the business corporation. By taking a *strategic view*, it unites the various compartments, majors, and subdisciplines usually taught within a school of business. Unlike many other areas of study, strategic management directly raises the issue of corporate existence and dares to ask *why*. Other areas deal in depth with procedures and activities designed to answer *how*. Business policy, partly because of its more holistic orientation and partly because strategic management is an emerging area of study, is often a difficult course to teach as well as to take. Consequently, this book is organized around the strategic management model that prefaces each chapter, providing a structure for both chapter content areas and complex case analyses by students.

Both the text and the cases have been course-tested in policy classes. We have included in the text those concepts that are most useful in case analysis. Our goal was to make the text as comprehensive and useful as possible while keeping the length within manageable size. All of the cases are about actual corporations. The firms range in size and maturity from large established multinationals to small entrepreneurial ventures.

Objectives

This book focuses on the following objectives, which are typically found in most business policy and strategic management courses:

- To develop *conceptual skills* so that a student is able to integrate previously learned aspects of corporations.
- To develop a *framework of analysis* to enable a student to identify central issues and problems in complex, comprehensive cases, to suggest alternative courses of action, and to present well-supported recommendations for future action.
- To develop an understanding of strategic management *concepts, research, and theories*.
- To develop an understanding of the *roles and responsibilities* of the

Board of Directors, Chief Executive Officer, and other key managers in strategic management positions.

- To develop the ability to analyze and evaluate the *performance* of the people responsible for strategic management.
- To bridge the gap between theory and practice by developing an understanding of when and how to apply *concepts* and *techniques* learned earlier in courses focusing on marketing, accounting, finance, management, and production.
- To improve the *research capabilities* necessary to gather and interpret key environmental data.
- To develop a better understanding of the *present and future environments* within which corporations must function.
- To develop and refine *analytical and decision-making skills* to deal with complex conceptual problems.

This book achieves these objectives by presenting and explaining concepts and theories useful in understanding the strategic management process. It provides studies in the field of strategy and policy in order to acquaint the student with the literature of this area and to help develop the student's research capabilities. It also describes the people who manage strategically and suggests a model of strategic management. It recommends a strategic audit as one approach to the systematic analysis of complex organization-wide issues. Through a series of comprehensive cases, it provides the student with an opportunity to apply concepts, skills, and techniques to actual, real-world corporate problems. The book focuses on the business corporation because of its crucial position in the economic system of the free world.

Structure

Part I is an overview of the subject, surveying the basic skills and competencies needed to deal with strategic issues in modern corporations. Chapter 1 presents a descriptive model as well as key terms and concepts that will be used throughout the book. Chapter 2 focuses on the development of the skills necessary to understanding and applying strategic concepts to actual situations.

Part II discusses important concepts that arise from both the external and internal environments of a corporation. It also describes key people in the corporation who are responsible for strategic management. Chapter 3 discusses the role and importance of a corporation's board of directors and

top management in the strategic management process. Chapter 4 discusses both the task and societal environments of a corporation and suggests environmental scanning and forecasting as key corporate tasks. Chapter 5 examines the importance of a corporation's structure, culture, and resources to its strategic management.

Part III deals with strategy formulation. It emphasizes long-range planning and the development of alternative courses of action at both the corporate and business levels. Chapter 6 discusses situational analysis. Chapter 7 examines the many possible corporate, business, and functional strategies.

Part IV considers the implementation of strategies and policies, as well as the process of evaluation and control, with continued emphasis on corporate and division-level strategic management. Chapter 8 explains strategy implementation in terms of programs, budgets, and procedures. It tells who are in charge of implementation, what they need to do, and how they should do it. Chapter 9 focuses on evaluation and control. It considers the monitoring of corporate processes and the accomplishment of goals, as well as various methods and criteria used in evaluating performance.

Part V summarizes strategic concerns in areas of increasing importance. Chapter 10 deals with the strategic implications of operating within an international environment, and Chapter 11 describes the strategic management of not-for-profit organizations.

Part VI is composed of 38 studies of strategic issues in actual corporations. There are also three additional follow-up cases in the Instructor's Manual. These 41 cases, *38 of which are newly published*, were written by experienced case writers from a number of countries whose contributions greatly enhance the quality of the book. The cases cover a wide range of situations and illustrate the material in Parts I through V. There are four cases on strategic managers, three cases dealing with environmental issues, twenty-three comprehensive strategy cases, five cases on multinational corporations, and three cases dealing with not-for-profit organizations. In addition, a number of the cases can be grouped by business type, such as the following:

- *Brewing.* Note on U.S. Brewing Industry, Joseph Schlitz Brewing Company, Adolph Coors Brewing Company.
- *Cosmetics.* Mary Kay Cosmetics, Johnson Products.
- *Information Technology.* Xerox Corporation, Apple Computer, VLSI Technology, Hewlett-Packard, Tandy, Comshare.
- *Automobile.* Notes on the European Economic Community and the United Kingdom, Ford of Europe, plus (in the Instructor's Manual) Nissan Corporation, General Motors, Peugeot, S.A.

- *Entrepreneurial/Small Business*. Christian's, Craft Cottage, South-eastern Video, Muse Air, Vermont Tubbs, Southern Cabinet.

New, updated versions of favorite cases — Walt Disney Productions, Johnson Products, and Standard Oil of Ohio — are included. Each case is about the real problems of a real organization and helps the student bridge the gap between the theories of the ivory tower and the practices of the real world. The high quality of these cases is attested to by the fact that the majority of them have been critiqued at workshops conducted by the Case Research Association and the Midwest Case Writers Association and/or accepted for publication in leading case journals, such as the *Case Research Journal* and the *Journal of Management Case Studies*. Eighteen of the cases in this book appear in these two journals.

Instructor's Manual

A comprehensive Instructor's Manual has been carefully constructed to accompany this book. It is composed of the following four parts.

- Part I: *Introduction*. Suggested course outlines, case sequences, and teaching aids.
- Part II: *Text Chapters*. A standardized format is provided for each chapter: (1) chapter abstract, (2) list of key concepts/terms, (3) suggested answers to discussion questions, and (4) multiple choice questions.
- Part III: *Case Notes*. A standardized format is provided for each case: (1) case abstract, (2) case issues and subjects, (3) steps covered in the strategic decision-making process (see Fig. 6.1, p. 141), (4) case objectives, (5) suggested classroom approaches, (6) discussion questions, (7) student paper, (8) case author's teaching note, (9) student strategic audit, and (10) *a complete list of 30 calculated financial ratios* (new to this edition).
- Part IV: *Transparency Masters*. Selected figures and tables from the text chapters plus other masters highlighting key strategic management concepts and techniques. *The actual transparencies are also available to those instructors who adopt the book for classroom use* (new to this edition).

Other Supplements New to This Edition

Specially prepared *decision support floppy diskettes* for use with IBM-compatible personal computers are available to instructors who adopt the book for classroom use.

- *Financial Analysis Spreadsheet Template for Lotus 1-2-3 (FASST)*, a decision support software supplement prepared by Professor A. J. Waltz of the University of South Florida, can be used by students to calculate financial ratios and generate proforma financial statements for each of the comprehensive strategic management cases in the book. By making the generation of proforma statements and ratios relatively easy, FASST allows more in-depth analysis of complicated cases and the development of more complex alternatives containing detailed implementation plans.
- A *case data diskette*, including all the key financial statements in each case where financial analysis can be performed, can be used by students in conjunction with FASST (*Financial Analysis Spreadsheet Template for Lotus 1-2-3*) or used separately with any spreadsheet software, such as Lotus 1-2-3 or Supercalc.

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CONTENTS

About the Contributors xxiii

PART ONE INTRODUCTION TO STRATEGIC MANAGEMENT AND BUSINESS POLICY 1

Chapter 1 Introduction 3

- 1.1 Study of Strategic Management and Business Policy 5
- 1.2 Research on the Effectiveness of Strategic Management 6
- 1.3 Hierarchy of Strategy 8
- 1.4 Descriptive Model of Strategic Management 9
External Environment 10 / Internal Environment
11 / Strategy Formulation 12 / Strategy
Implementation 13 / Evaluation and Control 14
- 1.5 Illustration of the Model 15
- 1.6 Summary and Conclusion 19
Discussion Questions 19
Notes 19

Chapter 2 Developing Conceptual Skills: The Case Method and the Strategic Audit 23

- 2.1 Importance of Conceptual Skills in Business 24
- 2.2 Audits 25
Management Audit 26 / Strategic Audit 26
- 2.3 Case Method 28
Case Analysis and Presentation 29 / Researching
the Case 29 / Financial Analysis: A Place
to Begin 31 / The Altman Bankruptcy
Formula 33 / Adjusting for Inflation 33
- 2.4 Summary and Conclusion 35
Discussion Questions 36
Notes 36

Appendix 2.A	Strategic Audit of a Corporation	38
Appendix 2.B	Suggested Techniques for Case Analysis and Presentation	45
Appendix 2.C	Resources for Case Research	48

PART TWO SCANNING THE ENVIRONMENT 51

Chapter 3 Strategic Managers 53

3.1	Corporate Board of Directors	54
	Responsibilities of the Board 55 / Role of the Board in Strategic Management 56 / Board Membership: Inside versus Outside Directors 58 / Nomination and Election of Board Members 61 / Organization for the Board 62 / Trends for the Future 63	
3.2	Top Management	64
	Responsibilities of Top Management 64 / Characteristics of Top Management Tasks 68 / Top Management Team 69	
3.3	Strategic Management Styles	70
	Chaos Management 70 / Entrepreneurship Management 71 / Marionette Management 71 / Partnership Management 72	
3.4	Summary and Conclusion	72
	Discussion Questions	73
	Notes	73

Chapter 4 The External Environment 77

4.1	Business and Society: A Delicate Relationship	78
	Development of the Capitalist Ethic 79 / Society Supports Free Enterprise 80 / Beginnings of Regulation 81 / A Question of Autonomy 81 / National Policy—Modern Mercantilism? 82	
4.2	Social Responsibility	83
	Priority of Concerns 84 / Pressures on the Business Corporation 85 / Ethics: A Question of Values 86	
4.3	Environmental Scanning	89
	Monitoring Strategic Factors 90 / Sources of Information 97	

4.4	Forecasting	99
	The Danger of Assumptions	100 / Techniques 100
4.5	Summary and Conclusion	104
	Discussion Questions	105
	Notes	106
Chapter 5	The Internal Environment	109
5.1	Structure	110
	Simple Structure	110 / Functional Structure 110 / Divisional Structure 110 / Matrix Structure 112 / Conglomerate Structure 112
5.2	Culture	113
5.3	Resources	115
	Marketing	116 / Finance 117 / Research and Development 122 / Manufacturing/Service 126 / Human Resources 128 / Information Systems 130
5.4	Summary and Conclusion	133
	Discussion Questions	133
	Notes	134
PART THREE	STRATEGY FORMULATION	137
Chapter 6	Strategy Formulation: Situation Analysis	139
6.1	Evaluation of Current Results	141
	Evaluation of Mission	143 / Evaluation of Objectives 144 / Evaluation of Strategies and Policies 145
6.2	Evaluation of Strategic Managers	145
6.3	Scanning the External Environment	148
6.4	Scanning the Internal Environment	149
6.5	Analysis of Strategic Factors	151
	S.W.O.T. Analysis	151 / Finding a Niche 151 / Portfolio Analysis 154
6.6	Review of Mission and Objectives	161
6.7	Summary and Conclusion	163
	Discussion Questions	164
	Notes	164
Chapter 7	Strategy Formulation: Strategic Alternatives	167
7.1	Alternative Strategies	168