

STRATEGIC MANAGEMENT

Concepts, Practice,
and Cases

Joe G. Thomas

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STRATEGIC MANAGEMENT

Concepts, Practice, and Cases

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Preface

Strategic Management: Concepts, Practice, and Cases is intended for the capstone course in business policy or strategic management. Strategic management and business policy courses are based on the premise that students need an opportunity to integrate the knowledge gained from other courses in business and to apply this knowledge to realistic problems. While many business courses offer students an opportunity to apply their knowledge to one or more cases, students soon learn that these cases usually relate to the topic most recently discussed in class; for example, a case presented after a discussion of capital budgeting will most likely concern an application of that topic. However, business policy and strategic management classes are designed to allow students to apply knowledge gained from their entire program of study. Policy cases like those in this book are somewhat different from other cases in that they frequently require the reader to identify the salient problems. Therefore, this text assumes that the reader has a basic knowledge of the core business areas of management, marketing, finance, accounting, and production to draw on in analyzing cases.

To meet the goal of integrating text with cases, this book provides a combination of the two. The text introduces concepts that many students may not have encountered in other courses—for example, the strategic management process, strategy formulation, and strategy implementation. Students may have forgotten other topics encountered earlier in their academic careers. For students who need a refresher on fundamentals of marketing or personnel management, Chapter 5 provides a brief review of many of the core business courses and discusses the application of this material to strategic management. Advanced readers may skip this chapter without significantly limiting their understanding of the text.

Strategic Management: Concepts, Practice, and Cases features a balanced combination of theory and application. It also strives to cover the fundamentals discussed in other texts while introducing material on values, organization culture, and managerial decision making and behavior—all of which help determine the success or failure of strategic management within an organization. The application of behavioral study to strategic management is one of the unique features of this text and is consistent with new directions in the field. Chapter 3, which discusses the roles of strategic decision makers (board of directors, top management, and corporate planning staff), and Chapter 9, which deals with behavioral issues in strategy implementation, contain material that is unique to this text.

Brief "Strategic Application" sections in each chapter show that concepts discussed in the text are issues faced by actual companies. These vignettes describe situations that organizations have encountered and the actions, both successful and unsuccessful, taken in response. Each chapter contains a number of "Strategic Application" sections to facilitate an understanding of the concepts discussed.

Part Two is comprised of comprehensive cases in which students are expected to apply knowledge gained from this and other courses in order to identify strategic issues implicit in each case and to develop alternative strategies in response to the issues. Cases are a fundamental part of a business policy/strategic management course. Many cases were reviewed for possible inclusion in this book. Nearly all of the 37 cases selected have been classroom tested by the text and/or the case author. Cases were selected that satisfy one or more of the following criteria:

- *Currency*—Nearly all of the cases were written in the 1980s, and many contain data from 1985, 1986, and 1987. Other cases have been updated so that the reader can evaluate strategies over time.
- *Comprehensiveness*—There are no single-issue cases in this collection. While cases vary in length and complexity, all of them require that consideration be given to the interaction of components within the organization and to the interaction between the organization and its environment.
- *Varying organization size*—The cases selected represent organizations of many different sizes, ranging from small service organizations to large manufacturing firms.
- *Interest*—Cases were selected to represent situations with which readers can identify and to deal with companies and industries that readers can reasonably be expected to have some familiarity with or interest in. While some of the names (e.g., Brown-Forman) may be unfamiliar, their concerns and products (e.g., Jack Daniel's) should be familiar to most readers.
- *Varying nature of business*—Cases included here represent a cross-section of organization types. Subjects include nonprofit organizations as well as profit-seeking firms. Some cases concern local businesses, while others concern large multinational corporations. Ownership varies from publicly held corporations to government bodies and sole proprietorships. Organizations discussed range from successful companies to firms struggling to survive and from older, well-established firms to companies that are just starting out.
- *Strategic comparison*—Cases have been selected to facilitate a comparison of certain strategic issues from the perspective of more than one company. For example, two discount department stores—Wal-Mart and K Mart—are included to allow comparison of strategies for two firms in the same business. The mail order business is approached from two perspectives—that of Austad's, a mail order sporting goods retailer, and that of CCX Network, a supplier of mailing lists and data processing services. Similarly, the sale of wine and spirits is approached from two perspectives—that of a retail store and that of one of the largest distilleries in the United States.
- *International focus*—While some of the cases included here deal solely with domestic issues, most have some international applications, ranging from the

sale of imported wines and spirits to the operation of subsidiaries of foreign-based firms in the United States. No collection of cases would be complete without considering domestic firms with operations or major competitors in other countries, as is done here.

- *Varying levels of management*—Cases were selected to enable readers to approach problems from the perspective of different levels of management. Some cases allow readers to assume that they are top-level managers; others are best approached from the perspective of a middle- or lower-level manager responsible for implementing a strategy previously approved by top management or of developing a strategy for top management approval. Thus, this text strives to avoid a bias of approaching policy only from the perspective of the CEO of a major corporation.

Part One of this text is based on a “process” model of strategic management. The model is introduced in Chapter 1 and used as the basis for presenting the material in each subsequent chapter. Each chapter concentrates on one component of the model and develops the relevant theory in detail. Each chapter also discusses how concepts in that chapter can be applied to strategic management within various organizations. Process models such as the one used here allow readers to progress through the various stages involved in developing the purpose and mission of a given organization, analyzing its competitive position, assessing its internal strengths and weaknesses, developing alternative strategies, selecting and implementing strategic alternatives, and controlling organization activities.

The text attempts to provide both a readable treatment of current state-of-the-art theory relevant to strategic management and a “how-to” focus. The “Strategic Application” sections mentioned earlier help the reader identify applications of the strategic issues discussed. Notes refer the reader to organizations encountering similar strategic issues and to current theories and readings relevant to the concepts discussed. It is hoped that such references will provide the text with academic rigor but maintain the focus on application that is the basis upon which most business policy and strategic management courses are built. For readers uncertain about how to conduct a financial ratio analysis or how to prepare a case analysis, the appendix to Chapter 5 and the introduction to Part Two provide additional guidance in these areas.

Sincere thanks are due to all who have made contributions to this text, directly or indirectly. Academicians and practitioners have all contributed to the development of the evolving field of strategic management. Their influence is obvious throughout this text, as the references demonstrate. Similarly, no text in the field would be considered complete without good cases. Cases give readers essential practice in diagnosing and evaluating strategic situations actually faced by real organizations. While some institutions may not view case writing as “research,” the contributions of case writers are essential to the continued viability of strategic management classes and texts. Special thanks go to the authors who contributed cases to this text, among them Morris Lamberson, Philip Fisher, Barbara Yates, Susan Doolittle, Herbert F. Spirer, Rudolph Koletic, Robert DuPlessis, Stuart Rich, Charles Roegiers, James Taylor, Robert L. Johnson, Sexton Adams, Adelaide Griffin, Walter E. Greene,

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As a combination consultant, academic, and manager, I believe that this book provides the optimum combination of theory, practice, and cases to make it a worthwhile contribution to the evolving field of strategic management. As is customary and correct, I accept responsibility for errors of commission and omission. I hope that any errors discovered will be brought to my attention so that future editions of this text will be as useful and complete as possible.

JOE G. THOMAS

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