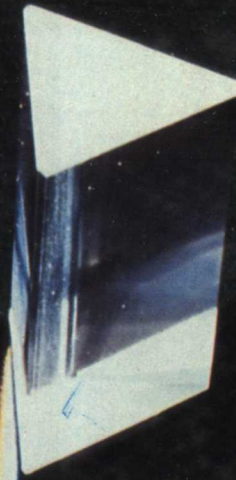


STRATEGIC MANAGEMENT

*An Integrated
Approach*

CHARLES W. L. HILL / GARETH R. JONES



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Approach*

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**For my wife Alexandra
and my daughter Elizabeth**

C. W. L. H.

**For my parents
Iori and Mona Jones**

G. R. J.

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Preface

Our objective in writing *Strategic Management: An Integrated Approach* has been to offer a book with a text that is first, accessible to undergraduate students, yet at the same time comprehensive and up-to-date in its coverage of the strategic management literature; second, balanced in its discussion of strategic issues; and third, successful at maintaining an integrated flow between chapters. We also wanted to differentiate our book by the high quality and relevance of its cases. While the market will be the ultimate judge of our success in achieving these objectives, we think that professors and students will find this book very satisfying to work with.

Comprehensive and Up-to-Date Coverage

The comprehensive and up-to-date nature of the text can be illustrated by the following examples of material that is not found in many other textbooks. In addition to the “standard” strategic management material, in this text we discuss

- alternative models of the strategy-making process (e.g. intended versus emergent strategies);
- the quality of strategic decision making and the role of devil’s advocacy and dialectic inquiry in improving decisions;
- the implications that key stakeholders, such as shareholders, have for the mission and strategic development of a company;
- changes that occur in the determinants of competitive intensity as an industry evolves, such as barriers to entry and inter-company rivalry;
- the implications of strategic groups;
- the contribution of the functional components of a company’s value chain, such as manufacturing, marketing, materials management, R&D, and information systems, in producing firm strengths and weaknesses;
- the role of investment strategies in supporting a company’s business-level strategy;
- the sources of economic value created by vertical integration and diversification strategies;
- global versus multidomestic strategies;
- acquisitions and internal new ventures as alternative means of company growth and development;

- an in-depth discussion of how to match a firm's structure and control systems in order to implement business- and corporate-level strategy;
- the role of intra-organizational power and conflict in inhibiting or promoting organizational change.

Balanced Discussion of Strategic Issues

In addition to comprehensive coverage, we have also attempted to provide a balanced view of the topics discussed in this text. By this we mean going beyond uncritical presentation of material. For example, we talk at length about the strengths and weaknesses of the various approaches to portfolio planning, we critically examine the pros and cons of different vertical integration and diversification strategies, we consider why so many acquisitions and new ventures apparently fail and discuss how the risk of failure might be attenuated, we evaluate the advantages and disadvantages of different organizational structures and control systems for the management of diversity, and so on. The objective is to demonstrate to students that in the real world strategic issues are inevitably complex and necessarily involve a consideration of pros and cons.

Achieving balance also means that we have not allowed any one disciplinary orientation to determine the content of this text. In addition to the strategic management literature, we have drawn on the literature of economics, marketing, organizational theory, finance, and international business. The perspective of this text is truly strategic in that it integrates the contributions of these diverse academic disciplines into a comprehensive whole.

Achieving balance also involves giving weight to each topic in proportion to its importance. Nowhere is this more evident than with regard to strategy implementation. Treated superficially in many textbooks, strategy implementation is the focus of four of the twelve chapters in this text. The commitment to balance is also evident within chapters. For example, while many textbooks discuss diversification in some detail, most give no more than a passing mention to vertical integration. This imbalance is surprising given the extent to which vertical integration is used by American enterprises. Here, we discuss at some length the nature, benefits, and costs of vertical integration.

Integrated Progression of Topics

A comprehensive and balanced coverage of material, while extremely important, does not on its own make for a good text. To achieve this, the material must also be placed within the context of an overall framework that integrates the different topics into a conceptual whole. Accordingly, we have attempted to fit the pieces of the strategic management puzzle together in a logical fashion so that students will understand the relationships between them. Above all else, this involves laying out the book so that each chapter builds on the previous one.

We start with an overview of the strategic management process (Chapter 1). This sets down an integrated framework within which subsequent chapters can be placed. Next, in Chapter 2, we consider the importance of stakeholders and

the company mission in determining the context within which strategies are formulated. In Chapter 3, we move on to look at the opportunities and threats a company faces in its external environment. This is followed by a discussion of the sources of internal strengths and weaknesses in Chapter 4. Building on this, we turn in Chapters 5 and 6 to look at the business- and corporate-level strategy options open to a company. Chapter 7 deals with different portfolio techniques available for the management of diversity, and the strategies that can be used for entering and exiting from business areas. Finally, Chapters 8–11 focus on strategy implementation. In sequence, these consider the different organizational structures with which a company can operate, the different organizational control systems that a company can use, the way in which firms should match structure and control to strategy, and the difficult implementation issues raised by intraorganizational conflict, politics, and strategic change.

Chapter 12 (Part IV) immediately precedes the cases, and is designed to provide students with an introduction to analyzing and writing case studies.

One point that should be clarified at this juncture is our decision to discuss corporate-level strategy (Chapter 6) after business-level strategy (Chapter 5). Many textbooks discuss corporate-level strategy first, the logic being that corporate-level strategy sets the context within which business-level strategy is formulated. We believe that this is a fundamental mistake. Our position is that the set of appropriate strategies at the corporate level is determined by a company's business-level *competences* and *needs*. For example, one of the ways in which related diversification can create value is from skill transfers between different businesses. A company's ability to do this, however, depends on the company having a distinctive *competence* in one or more of its business units that can be transferred. For another example, consider vertical integration; this can arise out of the *need* to gain access to low-cost inputs and may, therefore, be designed to help the company attain a low-cost position in its primary business. Thus, as these examples suggest, it is often the case that business-level competences and needs drive corporate-level strategy—not the other way around.

Cases

We have attempted to assemble a balanced selection of high-quality cases that address all the key subject areas covered in the text. Many of the cases are new, including eight that we have written ourselves. There are also a number of “classic cases” in the selection. About half of the cases focus on large companies with high name recognition (e.g. Chrysler, Compaq, Greyhound, Kodak, USX). A number of the remainder focus on small businesses (e.g. Bennett's Machine Shop, Walsh Petroleum). The cases are fairly evenly split between manufacturing and service companies. We have taken care to choose cases that are of a higher quality and richer in useful information than is the norm.

Instructors Manual

Accompanying the textbook is also a comprehensive instructors manual that offers a complete package of materials for the classroom. For each of the book's

chapters there are a lecture outline, a comprehensive set of true-false and multiple choice questions, and transparency masters for most of the figures and tables. For each of the cases there are discussion questions (with answers) that can be used for homework assignments or to stimulate class discussion, and detailed teachers notes that provide comprehensive analysis of the case issues.

Acknowledgments

This book is more than the product of the two authors. Thanks are also due to the case authors for allowing us to use their material, to the Departments of Management of Michigan State and Texas A&M Universities for providing the setting and atmosphere in which the book could be written, and to the students of these same universities who reacted to and provided input for many of our ideas.

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C. W. L. H.

G. R. J.

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