



STRATEGIC MANAGEMENT THEORY

A N I N T E G R A T E D A P P R O A C H

CHARLES W. L. HILL
GARETH R. JONES

For Jennifer, Nicholas, and Julia

G.R.J.

For Alexandra, Elizabeth, Charlotte, and Michelle

C.W.L.H.

Sponsoring Editor: *Jennifer B. Speer*
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Preface

Increased support for and acceptance of our integrated approach to strategic management greeted the publication of the third edition of *Strategic Management Theory*. We have revised the fourth edition of our book in significant ways to build on this successful approach. Enthusiasm for our interactive approach to involving students in strategic management has also led us to develop more “hands-on” learning experiences for students. As discussed in detail later, we have a new section at the end of each chapter called Practicing Strategic Management, which includes both a new Internet exercise and a new experiential exercise.

We are grateful to the many instructors using our text and have continued to utilize feedback from them as well as from instructors not using our text to increase the value of *Strategic Management Theory*. We have continued to update our coverage of all the flourishing strategic management literature while keeping the text readable. We believe that together, the text and interactive teaching approach in our Practicing Strategic Management sections provides students with a learning experience that is second to none.



COMPREHENSIVE AND UP-TO-DATE COVERAGE

Significant Content Changes

Nearly every chapter in the fourth edition has been significantly revised either to include new material or to change the way the material is presented, in accordance with market feedback. We have continued our thrust toward exploring the *sources of competitive advantage*—efficiency, quality, innovation, and customer responsiveness—and have revised our explanation of how organizations build strengths in these areas through functional-, business-, and corporate-level strategy. We have totally changed Chapter 10, now called “Corporate Development,” to provide students with a clear picture of the *major currents* that have been taking place in contemporary corporate strategy. Also, we have substantially reorganized the chapters on *strategy implementation* to show how organizational design can be used to build competitive advantage and to manage the process of *strategic change*. This new focus has enabled us to give a more comprehensive and integrated picture of the strategic management process.

We have also continued to emphasize the importance of the *global dimension* of strategy throughout the book. For example, beyond our chapter on global strategy (8), discussion of the global environment is found in the chapter on analyzing the environment (3), and discussion of the appropriate structure for managing global strategy is discussed in the chapter on matching strategy to structure (13). The global strategy chapter itself has been revised and updated to incorporate all recent research and thinking.

While each chapter has been thoroughly revised and updated, we have been careful to preserve the *balanced and integrated* nature of our account of the

strategic management process. Moreover, as we added new material, we deleted less current or less important concepts and information to ensure that students would concentrate on the core concepts and issues in the field. We have paid close attention to retaining the book's readability.

Besides integrating recent research and global concerns into the fourth edition, we have striven to enhance the book's value for students in our use of *current examples*. The chapter-opening case is completely new in almost every chapter, and the Strategy in Action boxes, which provide graphic examples of the real-world implications of strategic management theory, are either new or have been updated. The opening cases from the third edition have been updated and are now the chapter closing cases—hence they will be familiar to previous users of the book.

Some examples of specific chapter changes or additions include:

- Strategy making by autonomous actions by lower-level managers. (Chapter 1)
- New and expanded material on the organizational mission, strategic intent, organizational values, and performance. (Chapter 2)
- Expanded coverage of Porter's theory of the relationship between national context and competitive advantage. (Chapter 3)
- New approach to value creation. (Chapter 4)
- Expanded coverage of the relationship between technology and innovation. (Chapter 5)
- Discussion of strategic outsourcing and the virtual corporation. (Chapter 9)
- Introduction of Hamel and Prahalad's Core Competence Approach. (Chapter 10)
- More on cross-functional and product team structures. (Chapter 11)
- Introduction of the Balanced Scorecard Model of Organizational Control. (Chapter 12)
- Expanded coverage of organizational culture. (Chapter 12)
- New discussion of network structures and virtual organizations. (Chapter 13)
- New focus on the process of managing strategic change and in-depth discussion of restructuring and reengineering. (Chapter 14)



PRACTICING STRATEGIC MANAGEMENT: AN INTERACTIVE APPROACH

We hope you will be excited by the new hands-on learning possibilities provided by the exercises/assignments in the end-of-chapter *Practicing Strategic Management* sections. Following the Chapter Summary and Discussion Questions, each chapter contains the following assignments/exercises:

- **Small Group Exercise.** This short (20 minute) experiential exercise asks students to divide into groups and discuss a scenario concerning some aspect of strategic management. For example, the scenario in Chapter 11 asks students to discuss how they would reengineer the structure of a greeting cards company to increase the speed of product innovation.

- **Exploring the Web.** The Internet exercise requires students to explore a particular web site and answer chapter-related questions. For example, the Chapter 11 assignment is to go to the website of Bertelsmann, the giant German media company, and analyze the nature of and reasoning behind its organizational structure. This section also asks students to explore the web for relevant sites of their own choosing and answer questions.
- **Article File.** As in the last edition, this exercise requires students to search business magazines to identify a company that is facing a particular strategic management problem. For instance, students are asked to locate and research a company pursuing a low-cost or a differentiation strategy, and to describe this company's strategy, its advantages and disadvantages, and the core competencies required to pursue it. Students' presentations of their findings lead to lively class discussions.
- **Strategic Management Project.** Students, in small groups, choose a company to study for the whole semester and then analyze the company using the series of questions provided at the end of every chapter. For example, students might select Ford Motor Co. and, using the series of chapter questions, collect information on Ford's top managers, mission, ethical position, domestic and global strategy and structure, and so on. Eventually, students would write a case study of their company and present it to the class at the end of the semester. Normally, we also have students present one or more of the cases in the book early in the semester, but in our classes we now treat the students' own projects as the major class assignment and their case presentations as the climax of the semester's learning experience.
- **Closing case study.** A new feature to this edition, a short closing case provides an opportunity for a short class discussion of a chapter-related theme.

In creating these exercises it is not our intention to suggest that they should *all* be used for *every* chapter. For example, over a semester an instructor might combine a group strategic management project with five to six article file assignments and five to six exploring the web exercises, while doing eight to ten small group experiential exercises in class.

Another tool we provide in *Strategic Management Theory* is a special section that helps students learn how to effectively analyze and write a case study. This thoroughly revised section includes a checklist and explanation of areas to consider, suggested research tools, tips on financial analysis, and guidelines for using the Strategic Management Project.

We have found that our new interactive approach to teaching strategic management appeals to students. It also greatly improves the quality of their learning experience. Our approach is more fully discussed in the *Instructor's Resource Manual*.

Teaching and Learning Aids

Taken together, the teaching and learning features of *Strategic Management Theory* provide a package that is unsurpassed in its coverage and that supports the integrated approach, which we have taken throughout the book. Further details for using the supplementary materials can also be found in the *Instructor's Resource Manual*.

For the Instructor

- The **Instructor's Resource Manual**, which users liked so much in the first three editions of *Strategic Management*, has been refined and expanded. For each chapter we provide a *synopsis*, a list of *teaching objectives*, a *comprehensive lecture outline*, and *answers to discussion questions*. Each of the new chapter opening cases also has a corresponding *teaching note* to help guide class discussion. Furthermore, the lecture outlines include summaries of the material in the *Strategy in Action* boxes.
- The **Test Bank** (in the *Instructor's Resource Manual*) has been revised and offers a set of comprehensive true/false and multiple-choice questions, and the answers to them, for each chapter in the book. The **Electronic Test Bank** version allows instructors to generate and change tests easily on the computer.
- A package of **color transparencies** accompanies the book. These include nearly all the art found in the chapters.
- Completely new to this edition is a set of **PowerPoint slides**, developed by Milton Pressley, University of New Orleans. This lecture tool includes over twenty-five slides per chapter combining clear, concise text and art to create a total presentation package. Instructors with PowerPoint can edit slides; a viewer is included for those without. Slides can also be printed for lecture notes and class distribution.
- A **videotape** pertaining to several of the examples and concepts in the text is available to instructors. It helps highlight many issues of interest and can be used to spark class discussion.

For the Student

- **Micromatic** is a computer-based simulation that introduces students to tools and concepts of today's business world, such as spreadsheet calculations, "what-if" scenarios, financial analysis, and competitive analysis.
- **Policy Expert** includes four computer tools—business calculator, ratio analysis, portfolio models, and environmental scan—that assist students in analyzing actual businesses or cases in a strategic management text.



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Charles W. L. Hill
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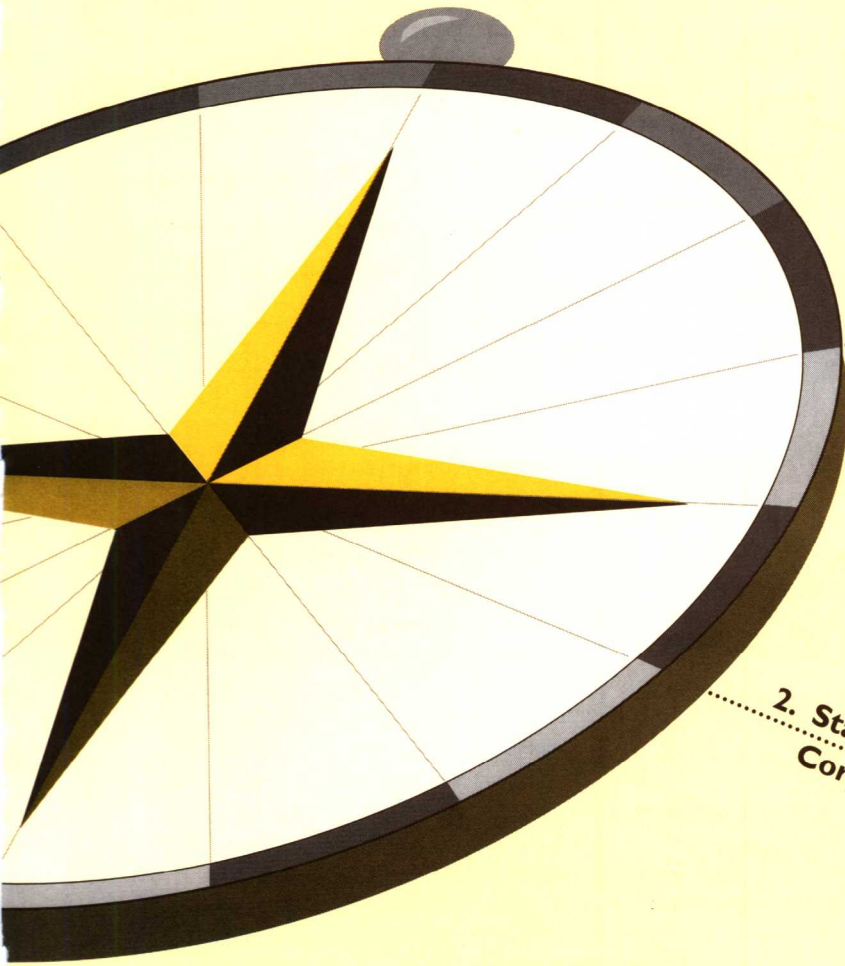
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PART ONE

Introduction to Strategic Management



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**2. Stakeholders and the
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