
BUSINESS POLICY

The Art of Strategic Management

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PREFACE

As we watch the field of Business Policy continue to evolve, we must constantly work to update our research and teaching paradigms to encompass current knowledge and understanding. In *Business Policy: The Art of Strategic Management*, I have attempted to incorporate those theories that will most likely have their greatest impact on managers, students and educators in the 1980s. The text's development has been heavily influenced by three streams of research. First, it has attempted to maintain the tradition of the field as established by the Harvard Business School faculty and set forth by C. Roland Christensen, Kenneth R. Andrews and Joseph L. Bower in *Business Policy: Text and Cases*. However, the research of McKinsey and Company, which has been popularized by T. Peters and R. Waterman in *In Search of Excellence* and by R. Pascale and A. Athos in *The Art of Japanese Management*, influenced both the content and organization of the text portion of this book. Finally, Michael Porter's *Competitive Strategy* was considered when writing the chapters on business strategy. While acknowledging the importance of these works, my motivation in writing this book was based on the perceived need to present an updated text and cases for the strategic management and business policy course of the 1980s.

In the tradition of the field, *Business Policy: The Art of Strategic Management* focuses on the application of theories and the development of management skills through the use of case studies. The cases developed and assembled for this book include topics of concern to today's managers and are consistent with the McKinsey "7-S" paradigm. While the heaviest emphasis has been given to the understanding of strategy; structure, systems, superordinate goals, style, staff, and skills are specifically dealt with in both the text and case materials.

The case materials incorporate issues that are of growing concern to today's managers. For example, cases on Hewlett-Packard, Tracor, Texas Instruments MODPLAN, and CALMA give special emphasis to the issues of technology and its rapid change. Cases on Republic Steel, DuPont, Lotus, and Chrysler show the impact of government in the development of competitive strategies. Cases on the Japanese steel industry, Toyo Kogyo, and the motorcycle industry provide insights into the competitive strategies required for global competition. While these cases raise strategic issues for today's managers, the focus is still on the need for managers to make decisions about strategy and then work to make those decisions successful.

Concern for the implementation of strategic decisions is encompassed in

many of the cases. The “B” cases provided in both the book and instructor’s manual provide significant coverage of the management and administrative issues. The cases on Bankers Trust and Georgia Federal were developed to encompass the McKinsey 7-S paradigm and, therefore, provide a comprehensive examination of these organizations. Cases on Lincoln Electric, Lou Holtz, BCI, Independent Publishing Company, Texas Air Corporation, and Majestic Hardware show the importance of top management’s style and the systems they impose on the organization. However, let us not lose sight of the fact that these cases are included here to help develop skills needed by managers in both their analytic and administrative roles.

The rapid development and evolution of the Business Policy course requires us to update the materials used in the classroom. I hope that this book will make a significant contribution toward that effort.

W.R.B.

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The selection of case materials is always vital to a good Business Policy course. In this text, I owe thanks to all those who have contributed to such case development: Ed Roach and Jack Eure, Jr. for Mr. Gatti's; Jeanne Lynch for Majestic Hardware Co., Inc.; the Bank Marketing Association for Bankers Trust of South Carolina; Roger Atherton for Hewlett-Packard (A) and (B); Dennis Crites for Hewlett-Packard (A); Jim Chrisman for Note on the Analytical Instruments Industry, Tracor Incorporated (A) and (B), The World Motorcycle Industry, and The British Motorcycle Industry (A); Jesse Dougherty and Michael Porter for EG&G, Inc. (A) and (B); Phyllis Holland for Coca-Cola Wine Spectrum (A); Donald Scotton and Eleanor Schwartz for Republic Steel (A) and (B); Mike Alford for The Japanese Steel Industry and Toyo Kogyo Co., Ltd.; Jeffery Ellis for Group Lotus Car Companies Ltd.; Robert Hay for Lou Holtz's Razorback Football Image; Charles Summer for BCI Ltd.; Owen Weber and Warren DeBord for Nichols Equipment Inc.; Dan Thomas for Independent Publishing Company and The Chrysler Corporation; Arthur Sharplin for The Lincoln Electric Company; Tim Singleton and Robert McGlashan for Texas Air Corporation (A); Elizabeth Gatewood for Texas Air Corporation (B); Christine Blouke for The Chrysler Corporation and CALMA Company (A); James Verbrugge for Georgia Federal Savings & Loan Association; Charles Kight for Texas Instruments MODPLAN; and Jay Bourgeois for CALMA Company.

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W.R.B.

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PART I

Introduction to Strategic Management

1

An Introduction to Strategic Management Education

Business policy is the study of how organizations determine and achieve their purposes. The study is concerned with the ability of organizations to achieve their objectives in a specific environment and with the top-level managers of organizations who must both lead and motivate people to achieve those objectives. It is the actions of setting organizational policies that we refer to as *strategic management*.

Since few managers ever begin their own companies from scratch, this text discusses concepts that deal with the analysis of existing organizations, their objectives and their strategies. To this extent, students will work to develop skills that are required to (1) identify the realities of ongoing organizational activities, (2) diagnose the health of those activities, and (3) determine what changes need to be made. It is through logical and systematic analysis that problems and opportunities of today's organizations can be identified and acted upon by top management.

Understanding the logic of analysis does not in itself cause one to become a good manager. In fact, some writers argue that good managers are born, not developed. Others believe, however, that education can equip managers with a variety of business skills to help them deal with the complex issues, events, and tasks which face today's business decision makers. More specific to this text is its focus on the broad role of general managers and the perspectives, understandings, and skills necessary for success in that role.

This text focuses on the job of top-level general managers who must integrate and coordinate the activities of many staff and line functions. The general manager's job includes

1. setting strategic direction through evaluation of external influences, weighting future trends and issues, and determining alternative business responses.
2. designing organizational structures and administrative systems that affect strategy implementation.
3. providing managerial leadership to develop climate, structure jobs, set rewards and motivations, and use power to achieve organizational goals.
4. managing operations and resource allocations through a variety of analytic techniques.
5. dealing with environmental issues, changing societal values, evolving