

# Exploring Strategy

第9版

Ninth Edition

英文版

TEXT & CASES

Johnson / Whittington / Scholes

## 战略管理：课文和案例

格 里·约翰逊

[英] 理查德·惠廷顿 著

凯万·斯科尔斯



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商务印书馆

2014年·北京

## 图书在版编目 ( CIP ) 数据

战略管理 : 第 9 版 : 英文 / ( 英 ) 约翰逊等著 . —  
影印本 . — 北京 : 商务印书馆 , 2014  
ISBN 978-7-100-09560-0

I . ①战… II . ①约… III . ①企业战略—战略管理—  
英文 IV . ① F272

中国版本图书馆 CIP 数据核字 ( 2014 ) 第 116539 号

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**战略管理 : 课文和案例 ( 第 9 版 , 英文版 )**

格里·约翰逊 理查德·惠廷顿 凯万·斯科尔斯 著

商务印书馆出版

(北京王府井大街 36 号 邮政编码 100710)

商务印书馆发行

山东临沂新华印刷物流集团

有限责任公司印刷

ISBN 978-7-100-09560-0

2014 年 8 月第 1 版 开本 850 × 1092 1/16

2014 年 8 月第 1 次印刷 印张 50.25

定价 : 158.00 元

# **EXPLORING STRATEGY**

**NINTH EDITION**

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Lancaster University Management School

**RICHARD WHITTINGTON**

Saïd Business School, University of Oxford

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**With the assistance of  
STEVE PYLE**

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*Gerry Johnson Richard Whittington Kevan Scholes*

**Exploring Strategy**

**Text & Cases**

ISBN: 978-0-273-73202-0

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# WELCOME TO EXPLORING STRATEGY

**Strategy is an exciting subject.** It's about the overall direction of all kinds of organisations, from multinationals to entrepreneurial start-ups, from charities to government agencies, and many more. Strategy raises the big questions about these organisations – how they grow, how they innovate and how they change. As a manager of today or tomorrow, you will be involved in shaping, implementing or communicating these strategies.

Our aim in writing *Exploring Strategy* is to give you a comprehensive understanding of the issues and techniques of strategy, and to help you get a great final result in your course. Here's how you might make the most of the text:

- Explore hot topics in cutting-edge issues such as competitive strategy, corporate governance, innovation and entrepreneurship, international strategy, strategic change and acquisitions and alliances.
- Consider the 'key debates' and the different strategy 'lenses' to get new perspectives and set you on your way to better grades in your assignments and exams.
- Follow up on the recommended readings at the end of each chapter. They're specially selected as accessible and valuable sources that will enhance your learning and give you an extra edge in your course work.

After you've registered with the access code included in this book, visit *Exploring Strategy* at [www.pearsoned.co.uk/mystrategylab](http://www.pearsoned.co.uk/mystrategylab) to find essential student learning material including:

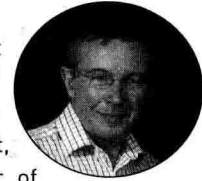
- The **Strategy Experience simulation**, which gives you practical hands-on experience of strategic decision-making in organisations. As a Director of the Board, you must deal with opportunities as they arise, and your decisions will affect the company's performance. Choose wisely!
- A **personalised study plan** based on feedback that identifies your strengths and weaknesses, then recommends a tailored set of resources that will help to develop your understanding of strategy.
- **Audio and video resources**, including case studies on IKEA, Land Rover and the Eden Project, that put a spotlight on strategy in practice.

We want *Exploring Strategy* to give you what you need: a comprehensive view of the subject, an ambition to put that into practice, and – of course – success in your studies. We hope that you'll be as excited by the key issues of strategy as we are!

So, read on and good luck!

Gerry Johnson  
Richard Whittington  
Kevan Scholes

**Gerry Johnson, BA, PhD** is Emeritus Professor of Strategic Management at Lancaster University Management School and a Senior Fellow of the UK Advanced Institute of Management Research (AIM). He has also taught at Strathclyde Business School, Cranfield School of Management, Manchester Business School and Aston University. He is the author of numerous books and his research has been published in many of the foremost management research journals in the world. He also serves on the editorial boards of the *Academy of Management Journal*, the *Strategic Management Journal* and the *Journal of Management Studies*. He is a partner in the consultancy partnership Strategy Explorers (see [www.strategyexplorers.com](http://www.strategyexplorers.com)) where he works with senior management teams on issues of strategy development and strategic change.



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# THE PREFACE

We are delighted to offer this ninth edition of *Exploring Strategy*. With sales of previous editions above 900,000, we believe we have a well-trying product. Yet the strategy field is constantly changing. For this edition, therefore, we have thoroughly refreshed each chapter, with new concepts, new cases and new examples throughout. Here we would like to highlight four substantial changes, while recalling some of the classic features of the book.

The ninth edition's principal innovations are:

- **Our new title, *Exploring Strategy*:** we have dropped the reference to 'Corporate' in the title in order to reflect the wide scope the book has always had. To some, 'corporate' implied a focus on large, multi-business commercial organisations. *Exploring Strategy* is for all organisations, including small entrepreneurial businesses, not-for-profits and public sector organisations too.
- **A new chapter on Mergers, Acquisitions and Alliances:** mergers and acquisitions are an important method for many strategies, particularly diversification and internationalisation, and they often grab the headlines. Alliances too are a crucial feature of contemporary business. We have recognised the importance of these methods by granting them a new chapter of their own.
- **A separate chapter on Strategy Evaluation:** in the end, strategies have to be evaluated, not just described. This chapter introduces key evaluation techniques, financial and non-financial, encouraging students to apply them and assess their usefulness on real cases.
- **A new web-based strategy simulation, the Strategy Experience:** our simulation of an international advertising company gives students the chance to apply strategy frameworks in action, either individually or in teams. The simulation also provides teachers with an effective method of assessment and feedback. You can find this simulation at [www.MyStrategyLab.com](http://www.MyStrategyLab.com).

At the same time, *Exploring Strategy* retains its longstanding commitment to a comprehensive and real-world view of strategy. In particular, this entails a deep concern for:

- **Process:** we believe that the human processes of strategy, not only the economics of particular strategies, are central to achieving long-term organisational success. Throughout the book, we underline the importance of human processes, but in particular we devote Part III to processes of strategy formation, implementation and change.
- **Practice:** we conclude the book with a chapter on the Practice of Strategy (Chapter 15), focused on the practicalities of managing strategy. Throughout the book, we introduce concepts and techniques through practical illustrations and applications, rather than abstract descriptions.

Many people have helped us with the development of this new edition. Steve Pyle has taken leadership in coordinating the case collection. We have consulted carefully with our Advisory Board, made up of experienced adopters of the book. Many other adopters of the book provide more informal advice and suggestions – many of whom we have had the pleasure of meeting at our annual teachers' workshops. This kind of feedback is invaluable. Also, our students and

clients at Sheffield, Lancaster and Oxford and the many other places where we teach are a constant source of ideas and stimulus. We also gain from our links across the world, particularly in Ireland, The Netherlands, Denmark, Sweden, France, Canada, Australia, New Zealand, Hong Kong of china, Singapore and the USA. Many contribute directly by providing case studies and illustrations and these are acknowledged in the text. But for other kinds of contributions we particularly thank Julia Balogun, Phyl Johnson, John Kind, Donald MacLean, Sam McPherson, Lance Moir, David Pettifer, Rob Pieters and Basak Yakis-Douglas.

Finally, we thank those organisations that have been generous enough to be written up as case studies. We hope that those using the book will respect the wishes of the case study organisations and *not* contact them directly for further information.

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May 2010

### ADVISORY BOARD

Special thanks are due to the following members of the Advisory Board for their valued comments:

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# EXPLORING STRATEGY

This ninth edition of *Exploring Strategy* builds on the established strengths of this best-selling textbook. A range of in-text features and supplementary features have been developed to enable you and your students to gain maximum added value from the teaching and learning of strategy.

- **Outstanding pedagogical features.** Each chapter has clear learning outcomes, practical questions associated with real-life illustrations and examples which students can easily apply to what they have learnt.
- **Flexibility of use.** You can choose to use either the Text and Cases version of the book, or – if you don't use longer cases (or have your own) – the Text-only version. The provision of Key Debates, Commentaries and Strategy 'Lenses' allow you to dig deeper into the tensions and complexity of strategy.

The two versions are complemented by a concise version of the text, *Fundamentals of Strategy*, and instructors also have the option of further customising the text. Visit [www.pearsoned.co.uk/CustomPublishing](http://www.pearsoned.co.uk/CustomPublishing) for more details.

- **Up-to-date materials.** As well as a new chapter on mergers, acquisitions and alliances, we have fully revised the other chapters, incorporating new research and updating references so that you can easily access the latest research.
- **Encouraging critical thinking.** As well as the Strategy Lenses, we encourage critical thinking by ending each chapter with a 'key debate', introducing students to research evidence and theory on key issues of the chapter and encouraging them to take a view.

Our 'three circles' model – depicting the overlapping issues of strategic position, strategic choices and strategy-in-action – also challenges a simple linear, sequential view of the strategy process.

- **Case and examples.** A wide range of Illustrations, Case Examples and (in the Text and Cases version) longer Case Studies are fresh and engage with student interests and day-to-day experience. The majority of these are entirely new to this edition; we have extensively revised the remainder. Finally, we draw these examples from all over the world and use examples from the public and voluntary sectors as well as the private.
- **Teaching and learning support.** You and your students can access a wealth of resources at [www.pearsoned.co.uk/mystrategylab](http://www.pearsoned.co.uk/mystrategylab), including the following:

*For students*

- **The Strategy Experience** simulation, which puts the student in the driving seat and allows them to experience the real world of strategic decision-making.
- A personalised study plan that helps students focus their attention and efforts on the areas where they're needed the most.
- Flashcards, a multilingual glossary, and weblinks for revision and research.

*For instructors*

- An Instructor's Manual which provides a comprehensive set of teaching support, including guidance on the use of case studies and assignments, and advice on how to plan a programme using the text.
- PowerPoint slides.
- A test-bank of assessment questions.
- Classic Cases from previous editions of the book.

# GUIDED TOUR

## → Setting the scene

The 'three circles' navigational diagram shows where you are in the three-part structure that underpins the book.

Key terms are identified at the beginning of each chapter.

Learning outcomes enable you to check that you have understood all the major areas by the end of the chapter.

## → Strategy in the real world

276 CHAPTER 9 INNOVATION AND ENTREPRENEURSHIP

**ILLUSTRATION 9.1**  
Shoes for skateboarders  
*Innovation at Sole Technologies is driven by both users and technology.*

After taking a degree in industrial software, Pierre André Senetgeyev started his career as a professional skateboarder in France. In less than twenty years, he created an action shoe and apparel business with 50000 i-Ci Skateboard sales and seven brands, including Etiles with its famous distinctive 'E' and the big know-nothing boot brand ThirtyTwo. He also created the first skateboard shoe to be made in the world.

Things had not started Senetgeyev. In 1988 he signed a brand of a new French year he was forced to retire boarding with back problem poor English and had little persuaded his employers to sell his Etiles shoes in first five years were very introduced his own designs Etiles began to take off. In 7 the Etiles brand from the Fr perated it and other brands and ThirtyTwo - until umbrella brand near the double digit per annum.

From the first, Senetgeyev his experience as a professional designer. He told the financial you have to be authentic, y skateboarder. For example noticed that skateboarders long-top shoes for their low shoes with the proper parts Senetgeyev responded by out had the necessary des

stayed close to its sports, sponsoring more than 150 athletes around the world. It listens closely to customers. The company's website has a design-your-own-shoe facility and it often releases potential applications for its new products through blogs. In order to solicit feedback and ideas, the average age of Sole Technologies's 400 employees is 28, with many

**CASE EXAMPLE**  
Glastonbury - from hippy weekend to international festival  
Steve Henderson, Leeds Metropolitan University

Glastonbury Festival has become a worldwide attraction for music fans and artists alike. In 2009, Bruce Springsteen was added to the long list of acts from Paul McCartney to David that have appeared at the festival. It started in 1970 when 1300 hippy revellers gathered on a farm near Glastonbury Tor to be joined with free milk and entertainment from a makeshift stage. Now, Glastonbury is a major international festival that attracts over 150,000 attendees. Without any knowledge of the location, the tickets for the 2013 Festival sold out in days.

In those early days, the Festival was developed by local farmer, Michael Eavis, whose passion for music and social principles led to a weekend of music as a means of raising funds for good causes. It was a social mission rooted in the hippy counter-culture of the 1960s and events such as Woodstock. Today, the Glastonbury Festival attracts fans that those early days of hippy idealism are a long way off. The scale of the organisation demands strong management to support the achievement of the festival's social aims.

At first, the ticket requirements for an event held on private land were minimal. Local policemen looked over hedges whilst recreational drugs were sold from tables near the festival entrance as if this was just a night's annual village fete. Needless to say, the festival began to attract the attention of a number of different groups, especially as legislation around the running of events tightened. Eavis struggled with local residents who hated the invasion of their privacy, with hippy activists feeling alienated from a sense of ownership with drug dealers carrying on their activities on the fringes of the festival, and late climbing over the fences to get free access.

The festival's continued expansion has resulted in a festival with over ten stages covering jazz, dance, classical, world music and other genres. Added to this, there is comedy, poetry, circus, theatre and children's entertainment alongside more austere near theatre performances. This is organised into specific grassy field areas where, for example, the Dance Village uses a number of tents dedicated to different types of dance music. Indeed, such is the range of entertainment

Illustrations showcase the application of specific strategic issues in the real world so you can identify and relate theory to practice.

**Video case study**  
Strategic directions and corporate-level strategies: Pret a Manger  
Watch the Pret a Manger short video-case and answer the following questions

Video cases enable you to engage with and learn from the experience of senior managers responsible for determining and implementing strategy.

The Case example at the end of each chapter allows exploration of topics covered in the chapter.

## → Critical thinking and further study

318 CHAPTER 9 INNOVATION AND ENTREPRENEURSHIP

**KEY DEBATE**  
**Are large firms better innovators than small firms?**

The famous Austrian economist Joseph Schumpeter proposed that large firms are proportionately more innovative than small firms. This proposition is a controversial one. If true, it would discourage laboratory scientists and engineers from leaving their large firm employers to set up their own ventures. It would encourage large firms like Google and Cisco to keep on buying up small, innovative firms and absorbing them into their own corporate strategies. It would make government policy makers more hesitant of huge, downsizing firms like Microsoft who claim that their large scale is important to continued innovation in computer software.

Schumpeter's proposition for the advantages of large firms in innovation has several points in its favor:

- Large firms have greater and more diverse resources, helping them to bring together all the various necessary elements for innovation.
- Large firms may have a greater propensity for innovation risk, knowing that they can absorb the costs of innovation failure.
- Large firms have better incentives to innovate because they are more likely to be able to capitalize on innovation, helping all the required complementary assets (distribution channels and so on) to roll it out fast and under their control.

On the other hand, there are good reasons why small firms might be more innovative:

- Small firms are typically more cohesive, so that knowledge is more easily shared.
- Small firms are typically more flexible and less bureaucratic, so that they can innovate faster and more boldly.
- Small firms are more motivated to innovate simply to survive, while large firms can simply defend and exploit their dominance of existing markets.

There has been plenty of research on whether small or large firms are proportionately more innovative. Some researchers have focused on the input side, for example measuring whether large firms are more research intensive in terms of R&D expenditure as a percentage of sales. Other researchers have focused on the output side, for example counting whether large firms have proportionately greater numbers of patents for innovations. There is no final consensus on the overall patterns of innovation. However, recent research findings suggest that in general:

- Large firms are relatively less research intensive in high technology industries, for example electronics and software.
- Large firms are relatively more innovative in service industries than in manufacturing industries.

It seems that the research so far cannot provide any firm rules about whether large or small firms are better innovators in general. However, research scientists, acquirers, large firms and government policy makers need to consider carefully the specifics of particular industries.

**Question**  
 What kinds of managerial action might you consider if you were trying to increase the innovativeness of a large firm in a high-technology manufacturing industry?

The **Key debate** at the end of each chapter invites you to reflect on topical and contentious questions of strategy.

**Work and Video assignments** at the end of each chapter provide stimulating questions which encourage you to explore key concepts and applications.

RECOMMENDED KEY READINGS 351

**WORK ASSIGNMENTS**

Denotes more advanced work assignments. \* Refers to a case study in the Text and Cases edition.

- 10.1 Write a short (about ten lined) statement to a chief executive who has asked you to advise whether or not the company should develop through M&A. Write a similar statement to a chief executive of a hospital who is considering possible mergers with other hospitals.
- 10.2 For a recently announced acquisition, track the share prices (using www.alphacart.com for example) of both the acquiring firm and the target firm in the period surrounding the bid? What do you conclude from the behaviour of the share price about how investors regard the bid. Which company's investors are likely to benefit more?
- 10.3 Compare the M&A integration processes in the case studies Ferrovial\* and Mergers in Education\*. What do you conclude about effective and less effective practices?
- 10.4 Critically evaluate the proposition that alliance strategy is ethically superior to competitive strategy because it involves cooperation and the mutual creation of value.
- 10.5 Explain why family-owned companies might prefer organic development to either alliance or acquisitions.

**Integrative assignment**

- 10.6 Systematically compare the advantages of corporate entrepreneurship with independent entrepreneurship (Section 9.3). What are the skills and personality characteristics the independent entrepreneur and corporate entrepreneur need most, and how do they differ between the two types of entrepreneur?

**VIDEO ASSIGNMENT**

Visit MyStratLab and watch the Pre-41-Menger case study.

- 1 Assess the motives for McDonald's acquisition of a stake in Pre-41-Menger (Section 10.3.3) and assess the strategic and organisational fit (Section 10.3.4).
- 2 In terms of the Headstart and assimilation model (Section 10.3.4), how did McDonald's approach integration and how should it have approached integration?

RECOMMENDED KEY READINGS

- A comprehensive book on mergers and acquisitions
- W. Coughlan, *Mergers, Acquisitions and Corporate Restructurings*, 4th edition, Wiley, 2007. For some alternative perspectives, see the collection by D. Angwin and L. Steers and Acquisition, Blackwell, 2007.
- A useful book on strategic alliances is J. Child, H. Faulstich and S. Yellison, *Cooperative Strategy: Managing Alliances, Networks and Joint Ventures*, Oxford University Press, 2005.

**Commentaries** at the end of each part of the book present a view of strategy through four 'lenses' to help you see strategic issues in different ways.

**COMMENTARY ON PART I**

Part I of the book has discussed some of the main influences that managers in organisations have to take into account in developing the strategies of their organisations. The underlying theme here is that reconciling these different forces is problematic: Not only are there many of them, but also their effects are difficult to predict and they are likely to change, creating potentially high levels of uncertainty. The focus may also be in conflict with one another, or pulling in different directions. Understanding the strategic position of an organisation is therefore challenging for managers. In this Commentary the four strategy lenses introduced in the initial

**Design lens**

The concepts and analytic tools of strategy can be used to understand the complex and uncertain world managers face in developing strategy. So it makes sense to:

- Understrate rigourous and extensive analysis, drawing largely on principles of economics, to understand environmental forces, strategic capabilities and the power and influence of stakeholders.
- Integrate the insights from such analyses into a clear view of the strategic position of the organisation.
- Make sure that top management can take a rational approach to the development of future strategy by considering how the issues identified might be addressed by different strategic options.
- Involve managers in such analysis through systematic strategic planning.

**Experience lens**

The experience lens focuses attention on trying to understand why people make sense of influences on their organisations the way they do in terms of their individual or collective experience and how this shapes and constrains their responses. It highlights that such experience is both useful because it provides short cuts in sense making, but also dangerous because it becomes fixed and blinds responses. It suggests that an uncertain future is likely to be understood in terms of past experience that acts as an 'uncertainty reduction mechanism'. It also warns that strategic capabilities (especially core competences) that have driven past success may become embedded in organisational culture, giving rise to strategic drift.

The experience lens suggests that it is important to:

- Understand the cultural influences on the organisation's strategic position.
- Encourage the questioning and challenging of that which is taken for granted.
- Surface the assumptions that managers have because it is likely to be such assumptions that drive strategic decisions.
- Use the frameworks of analysis described in Part I to challenge such taken-for-granted assumptions, e.g. by building scenarios to sensitise managers to possible futures.

**THE STRATEGIC POSITION**

Commentary are used to reexamine how managers can and do make sense of the strategic position they face. Note that:

- There is no suggestion here that one of these lenses is better than another, but they do provide different insights into the problems faced and the ways managers cope with the challenge.
- If you have not read the Commentary following Chapter 1 that explains the four lenses, you should now do so.

**Variety lens**

The variety lens highlights that new ideas and insights into the strategic position of an organisation are likely to arise by:

- The ambiguity and uncertainty of the future giving rise to different perspectives that can stimulate new ideas from within and around the organisation.
- Such ideas just as likely bubbling up from below as being originated at the top of an organisation. So, if innovation is important, managers need to learn how to foster and harness the variety of views and ideas in an organisation by:
  - Welcoming being sensitive to and cultivating such variety rather than seeking to foster conformity and uniformity.
  - Looking for ideas and views arising from anywhere in the organisation.
  - Being wary of seeking to identify the strategic position of the organisation such as to foster conformity and a 'right way' of seeing things.

**Discourse lens**

The strategic position of an organisation is not so much a matter of objective 'fact' as that which is represented and privileged in the discourse of major stakeholders and powerful people, for example a CEO, senior managers, investors or government. What such stakeholders say shows how influential people seek to frame an explanation of the strategic position of an organisation. In this context, three points suggest there is a need to take a critical, even sceptical, view of discourse as strategy:

- Strategy discourse has to mesh to do with stakeholders (managers included) seeking to influence a situation as it has to do with objective fact. Nonetheless such discourse can have a very real influence on organisations, strategies.
- The concepts and tools associated with strategy can be employed by managers so that they can feel good as though they have insights that give them a special place with regard to the destiny of the organisation and so justify a perspective on strategy that is in their own interest. In this sense strategy discourse is linked to power.
- People get locked into their ways of talking about strategy. It can be difficult to change this, so in some dominant discourse can contribute to strategic drift.

# BRIEF CONTENTS

Chapter 1 Introducing strategy	2
Commentary The strategy lenses	27
<b>Part I THE STRATEGIC POSITION</b>	<b>45</b>
Introduction to Part I	46
Chapter 2 The environment	48
Chapter 3 Strategic capabilities	82
Chapter 4 Strategic purpose	118
Chapter 5 Culture and strategy	156
Commentary on Part I The strategic position	190
<b>Part II STRATEGIC CHOICES</b>	<b>193</b>
Introduction to Part II	194
Chapter 6 Business strategy	196
Chapter 7 Corporate strategy and diversification	230
Chapter 8 International strategy	264
Chapter 9 Innovation and entrepreneurship	294
Chapter 10 Mergers, acquisitions and alliances	326
Commentary on Part II Strategic choices	356
<b>Part III STRATEGY IN ACTION</b>	<b>359</b>
Introduction to Part III	361
Chapter 11 Evaluating strategies	362
Chapter 12 Strategy development processes	396
Chapter 13 Organising for success	430
Chapter 14 Leadership and strategic change	462
Chapter 15 The practice of strategy	498
Commentary on Part III Strategy in action	532
<b>CASE STUDIES</b>	<b>535</b>
Glossary	745
Index of names	751
General index	755
Acknowledgements	771

# CONTENTS

List of illustrations and key debates	xvi
List of figures	xviii
List of tables	xxi
Preface	xxii
Exploring Strategy	xxiv
Guided tour	xxvi
<b>1 INTRODUCING STRATEGY</b>	<b>2</b>
1.1 Introduction	3
1.2 What is strategy?	3
1.2.1 Defining strategy	3
1.2.2 Levels of strategy	7
1.2.3 Strategy statements	8
1.3 Working with strategy	10
1.4 Studying strategy	11
1.5 The Exploring Strategy Model	14
1.5.1 Strategic position	16
1.5.2 Strategic choices	17
1.5.3 Strategy in action	18
1.5.4 Exploring strategy in different contexts	19
1.6 The strategy lenses	20
Summary	22
Work assignments	22
Recommended key readings	23
References	23
Case example: <i>Glastonbury – from hippy weekend to international festival</i>	24
<b>Commentary The strategy lenses</b>	<b>27</b>

## PART I THE STRATEGIC POSITION

<b>Introduction to Part I</b>	<b>46</b>
<b>2 THE ENVIRONMENT</b>	<b>48</b>
2.1 Introduction	49
2.2 The macro-environment	50
2.2.1 The PESTEL framework	50
2.2.2 Building scenarios	51



2.3	Industries and sectors	54
2.3.1	Competitive forces – the five forces framework	54
2.3.2	The dynamics of industry structure	62
2.4	Competitors and markets	69
2.4.1	Strategic groups	69
2.4.2	Market segments	71
2.4.3	Blue Ocean thinking	73
2.5	Opportunities and threats	74
	Summary	76
	Video assignment	76
	Work assignments	77
	Recommended key readings	77
	References	78
	Case example: <i>Global forces and the Western European brewing industry</i>	79
<b>3</b>	<b>STRATEGIC CAPABILITIES</b>	<b>82</b>
3.1	Introduction	83
3.2	Foundations of strategic capability	84
3.2.1	Resources and competences	84
3.2.2	Dynamic capabilities	85
3.2.3	Threshold and distinctive capabilities	87
3.3	'VRIN' strategic capabilities as a basis of competitive advantage	89
3.3.1	V – value of strategic capabilities	90
3.3.2	R – rarity	90
3.3.3	I – inimitability	91
3.3.4	N – non-substitutability	93
3.3.5	Organisational knowledge as a basis of competitive advantage	94
3.4	Diagnosing strategic capabilities	96
3.4.1	Benchmarking	96
3.4.2	The value chain and value network	97
3.4.3	Activity systems	102
3.4.4	SWOT	106
3.5	Managing strategic capability	108
3.5.1	Managing activities for capability development	109
3.5.2	Managing people for capability development	109
	Summary	111
	Work assignments	112
	Video assignment	112
	Recommended key readings	113
	References	113
	Case example: <i>'Inside Dyson': a distinctive company?</i>	115
<b>4</b>	<b>STRATEGIC PURPOSE</b>	<b>118</b>
4.1	Introduction	119
4.2	Organisational purpose: values, mission, vision and objectives	120