

Lewis  
Morkel  
Hubbard

# *australian strategic management*

concepts, context and cases

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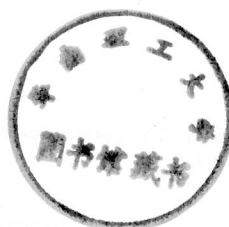
# Australian strategic management concepts, context and cases

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**Geoffrey Lewis**

**André Morkel**

**Graham Hubbard**



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**To our students, from whom we have learnt so much**

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# ***Foreword***

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Australia is going to be very dependent on the performance of its managers over the next decade if the nation is to take its place as a significant and successful member of the international business community. Management education will thus be a critical element in our ability to achieve effective performance at both an individual and national level.

It is significant that Australian companies have increased their commitment to management education and development generally in recent years, and more needs to be done.

One of the issues that has concerned management educators has been the lack of good Australian case material. In particular, the teaching of strategic management has relied too much on US-sourced case studies and teaching materials. We are starting to see an increase in the availability of modern and well-researched Australian cases suitable for use at both undergraduate and executive levels, and this work is an excellent example of such materials.

Notwithstanding, many more examples of successful Australian management experience needs to be captured, particularly those which reflect uniquely Australian solutions to strategic business issues.

This text will go quite a way to changing the balance, providing a blend of strategic management concepts and current classical readings, presented in an Australian context, with cases reflecting Australian experience.

Brian Loton  
Chairman  
The Broken Hill Proprietary  
Company Limited

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# Preface

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## The need for an Australian book on strategic management

Australian managers operate in a unique economic, social and political context, and yet, Australian management education has relied on conceptual frameworks and teaching materials from America and Europe. This has been particularly true in the area of strategic management.

An important issue facing practitioners, scholars and students of strategic management is the extent to which the approaches developed in other parts of the world apply in Australia. To what extent must we tailor these approaches to suit the circumstances facing Australian companies and their managers? This issue is the reason this book has been written; there is, after all, no shortage of good textbooks and cases in the area of strategy.

There exists no 'theory' of Australian strategic management, and this book certainly does not pretend to present one. The book does, however, provide the opportunity to study strategic management in the Australian context by combining Australian case studies with a mix of classic American readings and specifically written chapters focusing on Australian management.

## What the book includes

The book is designed to cater to the needs and interests of management students at all levels—executive education, MBA, postgraduate diploma and undergraduate business. It is organised into two parts—*Concepts and Contexts* and *Cases*.

*Concepts and Context* is arranged in six sections and contains:

- Conceptual material that has been written specifically for the book. This material combines a review of current thinking with some new perspectives which, where appropriate, make reference to Australian issues. With the exception of Section II, the first chapter in each section follows this format.

- Conceptual material from other sources. We have attempted to gather together the most influential writings in the area of strategic management. Where possible, Australian material has been selected. These have been included in their original form because it was the authors' view that there was little point in rewriting what was already well written.
- Contextual material, mostly written especially for this book, that addresses issues associated with strategic management in Australia.

*Concepts and Context* is intended to be a resource, used to support the cases, in courses on strategic management. The format of this part of the book allows flexibility of use; instructors can pick those chapters most suitable for their course and students, and chapters can be chosen to cover issues in the desired depth.

*Cases* contains 21 Australian cases covering a wide range of industries, companies, technologies and issues. With the exception of a short introductory case, the cases are undisguised studies of Australian industries and companies. In general, they have been designed so that each company's competitive environment can be analysed before proceeding to corporate or business level strategic analysis. Some of the cases also allow the treatment of organisational and management issues, and suit the chronological evaluation and analysis of the strategic development of a single company. The topic grid on pages 412 and 413 indicates the range of topics covered by each case.

Most of the cases are comprehensive, so they can be used for analysing complex strategic issues at the graduate level, and are rich enough to tap into the experience executives bring into the classroom. It should be noted, however, that the cases have been developed so that teachers of undergraduate and diploma students can adapt parts of the longer cases.

## How to use the cases

While the book is intended for case-based courses in strategic management, it can support a wide range of teaching styles. For example, the cases could be prescribed as readings to support a lecture/discussion-based course on strategic management.

The case teaching method has been long established in leading US and European business schools. It is gaining acceptance in Australia as one of the best ways to teach strategic management because it integrates a wide range of complex practical management problems. Learning through this method relies on case discussion to identify practical managerial issues and to develop conceptual frameworks for dealing with them. It is essential that students prepare cases thoroughly and come to class willing to take an active part in discussion. To assist students who are not familiar with the case method, an introduction to the cases part of the book deals with the preparation and analysis of cases, and case discussion. Guidelines are also offered for case write-ups.

As well as providing a vehicle for teaching the concepts and frameworks of strategic management, the cases give students an overview of Australian business and an insight into the development and management of a broad range of Australian companies. Simply reading the cases will acquaint students with how business



strategies have evolved in Australia over recent decades. The use of well-known companies allows students to follow subsequent events through the business press. The cases should, however, be discussed in class on the basis of the written case, and subsequent developments limited to follow-up discussion. Even where companies have failed or have encountered substantial business difficulties, important lessons can be drawn about strategic management.

It is important to note that the cases do not assume any particular approach to strategic management. Nor do they assume that there is one right way of managing the strategy of a business—students should resist the temptation to seek the ‘right answer’ to the cases.

None of the cases are intended to represent either good or bad strategic management. In many instances the fortunes of the companies have changed substantially, and the cases do not reflect the current state of affairs. It is for the student to determine what lessons can be drawn from such changing fortunes—this is, after all, what strategic management is all about. The cases should not be interpreted as judgments—favourable or unfavourable—about the companies or their managements. Students should be reminded that the cases were developed in a particular period of Australian economic development and, as a whole, are a commentary on Australian business and management during this period.

## **Looking forward**

The business environment of the 1990s looks very different to that of the previous decade. The ‘darlings’ of the stock market (and the business press) have fallen from grace and the companies that came under attack for their conservatism are now finding favour. At the beginning of the 1990s Australia faced formidable challenges:

- inflation levels that were higher and productivity levels that were lower than those of our trading partners;
- high foreign debt;
- a substantial current account deficit;
- high real interest rates and an over-valued currency;
- shaken consumer and investor confidence;
- calls for a more ‘clever’ society, while our education system was in crisis; and
- continuing dependence on foreign technology.

Since the book was written, the world and Australia have continued to change in dramatic and unexpected ways. The fundamental question of the international competitiveness of Australian business, however, remains the same.

The strategic management perspective argues that, in the debate on how to meet Australia’s competitive challenges, the role of managers has been understated. Managers can, and do, have a significant impact on the success of their enterprises and the nation. Although managers can do little to shape the broad macroeconomic, social, political and technological environment in which they operate, they can exercise strategic choice within these constraints. Insufficient emphasis has been placed on strategic management theory and practice as the vital ingredient in the

wellbeing of Australian enterprises and society. The essential difference between the Australian companies that are meeting the international competition, and those that have fallen by the wayside, is the way in which they have been managed strategically. In the successful companies, appropriate strategic choices have been made and organisational change has been managed effectively.

It is hoped that this book will go some way towards providing students with a better understanding of how these successes have been achieved and how failures can be avoided and, in so doing, enhance the contribution they, as future managers, make to Australia's future.

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# Acknowledgments

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There are many people and organisations who made this book possible.

We wish to acknowledge the contributions of the companies that enabled us to compile a comprehensive set of Australian strategic management cases, and the students who assisted in this process.

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We wish to acknowledge two people who played pivotal roles in the process of turning our manuscript into a book. The daunting task of managing the process fell to Fiona Marcar of Prentice Hall Australia. The professionalism, dedication and patience Fiona applied to the project has been extraordinary. To help her in that task was Bette Collins, the editor at The Darden School, who brought to bear her remarkable editorial skills to integrate the original chapters, readings and cases.

Finally, we would like to thank our wives, Mardi, Barbara and Judy, for their support throughout the writing and publishing period. It couldn't have been done without them.

Geoff Lewis  
André Morkel  
Graham Hubbard

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## About the authors

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Geoffrey Lewis started work as a metallurgist and spent nine years in the Australian metals industry in the areas of research, production engineering, and corporate planning. After completing a PhD at the London Business School, he joined the faculty at the International Management Institute—Geneva. Three years later, he returned to Australia where he has been on the faculties of the Graduate Schools of Management at the University of Melbourne and Monash University. In 1988 Professor Lewis joined the faculty at the Darden School, where he teaches *Strategic Management and Leadership* in the second year of the MBA program. Professor Lewis consults to a wide range of businesses in Australia, North America and Europe in the areas of strategy and the management of change. His current research and consulting interests focus on the processes through which managers guide organisations and shape their competitive strategies. In 1988, he published *Corporate Strategy in Action* (Routledge) and in 1991, *Cases in Australian Strategic Management* (Prentice Hall) with André Morkel and Graham Hubbard. Professor Lewis is also a Visiting Professor at the Graduate School of Management at Adelaide University.

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André Morkel is Professor of Management at the Graduate School of Management at the University of Western Australia. He has been a visiting scholar at the Harvard Business School, and visiting professor at the University of Santa Clara, Copenhagen Business School and the Helsinki School of Economics and Business Administration. His teaching and research are concerned with business strategies and technological innovation in Australia and in other economies of similar size and industrial development. He teaches strategic management using cases and concepts in MBA and executive programs at his own university as well as at other universities and programs in Australia, South-East Asia, Europe and the United States. He has consulted actively, particularly in Western Australia, and has been active for many years in the development of Australian-based cases and teaching materials in strategic management.

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After graduating from Adelaide University, Graham Hubbard worked for Alcoa of Australia and Deakin University. After completing his MBA at Cranfield, he worked for management consultants Coopers & Lybrand (UK), wrote a book on finance leasing for the Institute of Cost and Management Accountants (UK) and wrote cases and taught on the Cranfield MBA program. Since 1980, Dr Hubbard

has been teaching MBA and executive short course programs in Australia, the UK and the US at RMIT Graduate School of Management, Monash University Graduate School of Management, Melbourne University, Cranfield School of Management, the Australian Management College Mt Eliza and Carlson School of Management at the University of Minnesota. He has also worked for and consulted to a wide range of organisations in Australia. He has a particular interest in writing and teaching Australian case material and in researching and teaching in the area of takeovers.

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# **Concepts and Context**