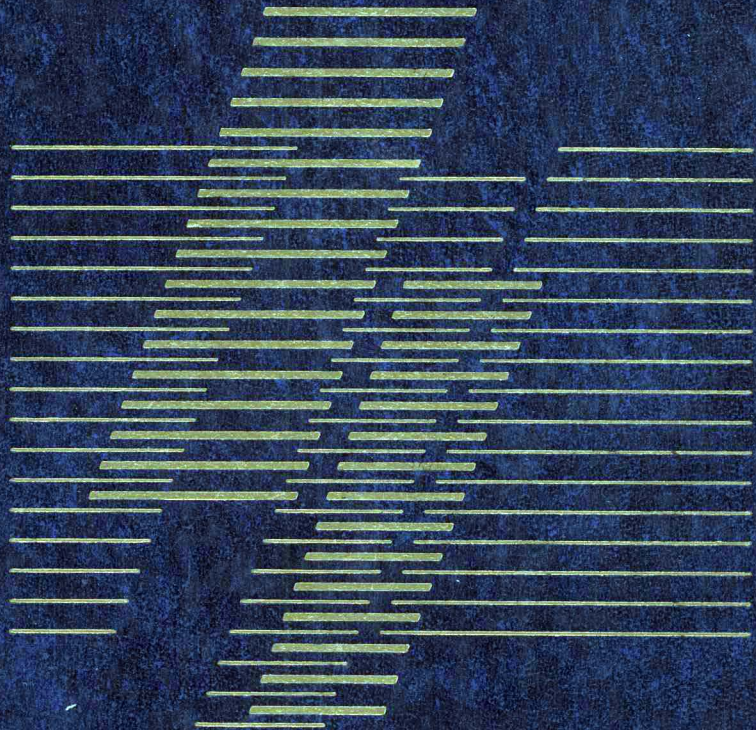
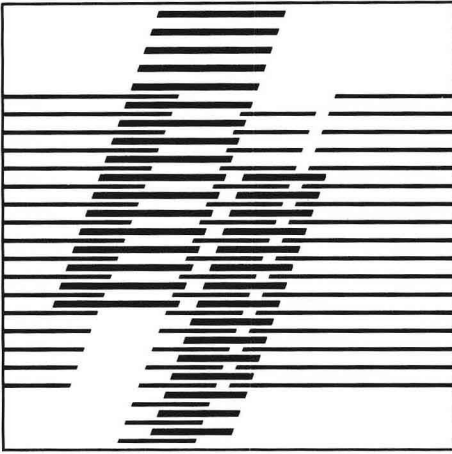


THIRD EDITION

STRATEGIC MANAGEMENT AND BUSINESS POLICY

WHEELEN ■ HUNGER





T H I R D E D I T I O N

STRATEGIC MANAGEMENT AND BUSINESS POLICY

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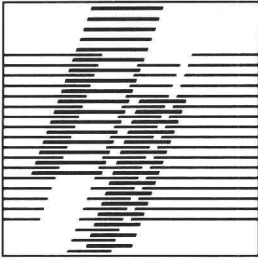
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Preface

The corporate world is becoming a very different place. Mergers and acquisitions have transformed the landscape. International boundaries have faded as businesses take on a more global perspective, and the technology of the “Information Age” has telescoped the time it takes to communicate and make decisions. Strategic management takes a panoramic view of this changing corporate terrain and dares to ask *why*.

As a capstone course, strategic management, or business policy, unites the various departments, majors, and subdisciplines usually found in a school of business. Other courses deal in depth with procedures and activities designed to answer *how* corporations exist. Because strategic management itself is in a constant state of flux, and because the course takes a holistic approach, business policy is often a difficult course to teach and to take. Consequently, this book is organized around a strategic management model, which prefaces each chapter and provides a structure for content and for complex case analyses by students.

Both the text and the cases have been class-tested in policy courses and revised based on feedback from those classes. In response to students and professors, we have emphasized in the text primarily those concepts that have proved to be most useful in case analysis. Our goal was to make the text as comprehensive and useful as possible while addressing the following AACSB concerns described in the 1988 report of the “Futures Project” by Porter and McKibbin (published by McGraw-Hill as *Management Education and Development: Drift or Thrust into the 21st Century*): balanced coverage of internal and external environments; a global perspective; cross-functional integration; and attention to the information/service society. As in previous editions, all of the cases are about actual corporations. The firms range in size and maturity from large, established multinationals to small entrepreneurial ventures, and cover a broad range of issues and questions.

NEW TO THIS EDITION

This edition includes many of the same features and content that helped make previous editions successful. In addition to updating and fine-tuning these tested features, there are a number of additions to make the book more useful to students and professors, and more representative of the rapidly growing field of strategic management and business policy:

- A new chapter—“Strategic Issues in Entrepreneurial Ventures and Small Businesses”—has been included to reflect the increasing interest in innovation and entrepreneurship in today’s world. In addition, nine cases are included to complement this chapter.
- Recent developments in the management of *technology* and *organizational innovation*, as well as research and development, receive expanded coverage in Chapters 5 and 8.
- An *integrative case* dealing with a successful company (CSX Corporation) operating in a rapidly changing, deregulated industry (transportation) follows Chapters 1 through 10 in a series of ten discrete segments. Each segment of the integrative case relates to the content discussed in the preceding chapter. The case thus gives the reader an opportunity to apply the concepts and techniques discussed in each chapter to CSX Corporation’s particular situation.
- Increased emphasis is placed on *industry analysis* by including, as an appendix to Chapter 4, Michael Porter’s now-classic *Harvard Business Review* article “How Competitive Forces Shape Strategy.” In addition, *strategic groups* and *mobility barriers* are discussed in Chapter 6.
- A totally revised section on *corporate strategies* is added to Chapter 7 in order to more clearly explain the many corporate-level strategies and how they differ from business and functional strategies.
- A strengthened and expanded section on *scenario construction* in Chapter 7 now enables the reader to actually develop optimistic, pessimistic, and most likely scenarios for each strategic alternative under consideration. This ties in directly with the new software, Financial ANalyzer (FAN) available with this book.
- The concepts of *strategic control* and the *hierarchy of control* are discussed in Chapter 9 as a natural extension of the well-accepted hierarchy of strategy.
- Work by Kenichi Ohmae, the “Peter Drucker of Japan,” on the importance of the *triad countries*, and by Michael Porter, on the significance of *multidomestic* versus *global industries*, expands the discussion of multinational corporations in Chapter 10.
- A special section of *entrepreneurial and small business cases* reflects an increasing interest in the strategic management of these types of companies.
- 29 cases new to this edition on organizations ranging from product-oriented Harley-Davidson, Volvo, and Springfield Remanufacturing to service-oriented Kmart, Home Shopping Network, and Springfield Ballet. Cases also range from the fairly glamorous Apple Computer and Federal Express to the more mundane Inner-City Paint Corporation and Patton Septic Tank.
- An enhanced supplements package is available with the new edition. A detailed description of this expanded package is provided on page viii of this Preface.

OBJECTIVES

This book focuses on the following objectives, typically found in most business policy and strategic management courses:

- To develop *conceptual skills* so that a student is able to integrate previously learned aspects of corporations.
- To develop a *framework of analysis* to enable a student to identify central issues and problems in complex, comprehensive cases; to suggest alternative courses of action; and to present well-supported recommendations for future action.
- To develop an understanding of strategic management *concepts, research, and theories*.
- To develop an understanding of the *roles and responsibilities* of the Board of Directors, Chief Executive Officer, and other key managers in strategic management positions.
- To develop the ability to analyze and evaluate the *performance* of the people responsible for strategic management.
- To bridge the gap between theory and practice by developing an understanding of when and how to apply *concepts* and *techniques* learned in earlier courses on marketing, accounting, finance, management, and production.
- To improve the *research capabilities* necessary to gather and interpret key environmental data.
- To develop a better understanding of the *present and future environments* within which corporations must function.
- To develop and refine *analytical and decision-making skills* for dealing with complex conceptual problems.

This book achieves these objectives by presenting and explaining concepts and theories useful in understanding the strategic management process. It provides studies in the field of strategy and policy in order to acquaint the student with the literature of this area and to help develop the student's research capabilities. It also describes the people who manage strategically and suggests a model of strategic management. It recommends a strategic audit as one approach to the systematic analysis of complex organization-wide issues. Through a series of comprehensive cases, it provides the student with an opportunity to apply concepts, skills, and techniques to real-world corporate problems. The book focuses on the business corporation because of its crucial position in the economic system of the free world.

STRUCTURE

Part I is an overview of the subject, surveying the basic skills and competencies needed to deal with strategic issues in modern corporations. Chapter 1 presents a descriptive model as well as key terms and concepts that will be used throughout the book. Chapter 2 focuses on the development of the

skills necessary for understanding and applying strategic concepts to actual situations.

Part II discusses important concepts that arise from both the external and internal environments of a corporation. It also describes key people in the corporation who are responsible for strategic management. Chapter 3 discusses the role and importance of a corporation's board of directors and top management in the strategic management process. Chapter 4 discusses both the task and societal environments of a corporation and suggests environmental scanning and forecasting as key corporate tasks. Michael Porter's article on competitive forces is included as an appendix to Chapter 4 to emphasize the importance of industry analysis. Chapter 5 examines the importance of a corporation's structure, culture, and resources to its strategic management.

Part III deals with strategy formulation. It emphasizes long-range planning and the development of alternative courses of action at both the corporate and business levels. Chapter 6 discusses situational analysis. Chapter 7 examines the many possible corporate, business, and functional strategies.

Part IV considers the implementation of strategies and policies, as well as the process of evaluation and control, with continued emphasis on corporate and division-level strategic management. Chapter 8 explains strategy implementation in terms of programs, budgets, and procedures. It describes the people in charge of implementation, what they need to do, and how they should do it. Chapter 9 focuses on evaluation and control. It considers the monitoring of corporate processes and the accomplishment of goals, as well as various methods and criteria used in evaluating performance.

Part V summarizes and examines strategic concerns in particular types of organizations. Chapter 10 looks at strategic issues in multinational corporations and deals with the implications of operating within an international environment. Chapter 11 examines the not-for-profit organization and explains how it differs from the typical business firm. Chapter 12, *a new addition to the text*, discusses strategic issues in entrepreneurial ventures and small businesses.

Part VI is composed of 38 case studies of strategic situations in actual organizations. These cases were written by experienced case writers from a number of countries, whose contributions greatly enhance the quality of the book. The cases cover a wide range of situations illustrating the material in Parts I through V. There are three cases on strategic managers, three cases dealing with environmental issues, twenty-seven comprehensive strategy cases (eighteen focusing on large corporations and nine focusing on entrepreneurial and small businesses), three cases on multinational corporations, and two cases dealing with not-for-profit organizations. In addition, a number of the cases can be grouped by type of industry, such as the following:

- *Personal Transportation.* Harley-Davidson, Volvo, and Piper Aircraft.
- *Entertainment.* Walt Disney, Springfield Ballet Company, and National Jazz Hall of Fame.

- *Information Technology.* Apple Computer, Tandy, VLSI Technology, Comdial, Multicon, Xerox, and Byte, Inc.
- *Petroleum.* Standard Oil and Global Marine.
- *Consumer Products.* Anheuser-Busch, American Greetings, Johnson Products, Hershey Foods, and Allen Corporation (*Crisis in Geneva*).
- *Manufacturing.* Springfield Remanufacturing, UMC, Dakotah, International Mining and Carbon (*Problem of Silicosis*), Urshel Laboratories, Wallace Group, Quasar, Byte, Inc., VLSI, Comdial, and Patton Septic Tank.
- *Construction.* Inner City Paint, Patton Septic Tank, and Southern Cabinet.
- *Agricultural Products.* Pioneer Hi-Bred and Cotton Belt Exporters.
- *Services.* Federal Express, Christian's, Brookstreet Hospice, Home Shopping Network, National Jazz Hall of Fame, and Multicon.
- *Retailing.* Austad's, Kmart, Home Shopping Network, Tandy, and Christians.

New, updated versions of favorite cases—Anheuser-Busch, Apple Computers, Johnson Products, Standard Oil, and Hershey Foods—are included. Dealing with the real problems of a real organization, each case helps the student bridge the gap between theories and the practices of the business world. The high quality of these cases is attested to by the fact that 30 of them have been professionally refereed and critiqued at workshops conducted by the North American Case Research Association and the Midwest Society for Case Research and/or accepted for publication in leading case journals, such as the *Case Research Journal*, the *Journal of Management Case Studies*, and *Annual Advances in Business Cases*.

FINANCIAL ANALYZER (FAN) DECISION- SUPPORT DISKETTES

Financial ANalyzer (FAN)[™] was specially developed for students of strategic management and business policy. This software allows the instructor to introduce students to meaningful *computer-assisted strategic and financial analysis*. Financial ANalyzer (FAN) consists of two disks that contain the software plus balance sheets and income statements from over 20 cases in the book. The disks are to be used with the Lotus 1-2-3[®] spreadsheet program on IBM-compatible (MS-DOS) personal computers with two drives. FAN is “user friendly” and requires minimal knowledge of Lotus 1-2-3, programming, or microcomputers beyond the basic knowledge of “booting up.” The student can learn to use FAN in less than one hour. Step-by-step instructions are provided for the student so that the instructor need not be involved.

Students are not required to purchase a supplemental book to obtain FAN. Instead, a special version of the text is available with the disks and instructions packaged in the back of the book. The order code for this special package is #17895. Please contact the Marketing Manager for Business and Economics at Addison-Wesley or your bookstore for further details.

FAN is the most comprehensive software package available for students of strategic management and will enhance the student's knowledge of financial and strategic management analytical techniques. It links the classroom with the methods that strategic managers use in their companies.

Financial Analyzer (FAN) helps students to more quickly and easily complete *on their own* the financial analysis of complex strategy/policy cases. It uses historical financial information in the form of balance sheets and income statements from the cases to generate:

- Balance sheets in 1967 constant dollars (see pages 37–39).
- Income statements in 1967 constant dollars (see pages 37–39).
- 27 financial ratios plus Altman's Z-value (see Table 2.1 and pages 33–37).
- Common-size balance sheets (see page 36).
- Common-size income statements (see page 36).
- Scenario construction box which enables the students to develop *pro forma* projected financial statements to accompany their recommendations (see pages 227–229). *A special feature of this box is that it interacts directly with Lotus 1-2-3 for ease of operation.*

In addition, as a special feature, FAN automatically calculates financial ratios and develops common-size balance sheets and income statements for the *pro forma* projections generated by the students in their scenario construction. This enables the student to check to see if the recommendation is feasible and in general agreement with the historical ratios and relationships.

SUPPLEMENTS

Instructor's Manual

A comprehensive Instructor's Manual has been carefully constructed to accompany this book. It is composed of the following five parts.

Part I: Introduction. Suggested course outlines, case sequences, and teaching aids.

Part II: Text Chapters. A standardized format is provided for each chapter: (1) chapter abstract, (2) list of key concepts/terms, (3) suggested answers to discussion questions, and (4) multiple choice questions.

Part III: Case Notes. A standardized format is provided for each case: (1) case abstract, (2) case issues and subjects, (3) steps covered in the strategic decision-making process (see Fig. 6.1, p. 169), (4) case objectives, (5) suggested classroom approaches, (6) discussion questions, (7) student paper, (8) case author's teaching note, (9) student strategic audit, and (10) a complete list of 27 calculated financial ratios.

Part IV: *Transparency Masters*. Selected figures and tables from the text chapters plus other masters highlighting key strategic management concepts and techniques.

Part V: *Financial Case Information*. The financial information contained in the *Financial ANalyzer (FAN)* diskettes is printed in this section for the instructor's convenience. The information printed for each case includes:

- Balance sheets in 1967 constant dollars.
- Income statements in 1967 constant dollars.
- 27 financial ratios plus Altman's Z-value.
- Common-size balance sheets.
- Common-size income statements.

This information is *identical* to that provided to the student for each case on the diskettes attached to the textbook.

Computerized Testing

Multiple choice questions from the Instructor's Manual are available free to adopters in a computerized test bank.

Transparency Acetates

Acetates of the transparency masters from the Instructor's Manual are available free to adopters of the text.

FAN Decision-Support Disks

As described earlier, FAN is specially prepared software for use with IBM-compatible (MS-DOS) personal computers. The disks include balance sheet and income statements from selected cases in the book plus a program that uses Lotus 1-2-3 to *calculate financial ratios*. This feature should allow students to reduce time spent on calculations and increase time spent on case analysis. The FAN disks are available packaged with the text.

Student Edition of Lotus 1-2-3

Available separately from Addison-Wesley, the Student Edition is a full-function version of Lotus 1-2-3 with a 64 column \times 256 row spreadsheet. The Student Edition is compatible with the decision-support disks available with the text.

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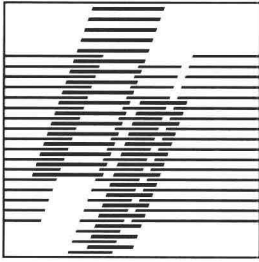
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Tampa, Florida
Ames, Iowa

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