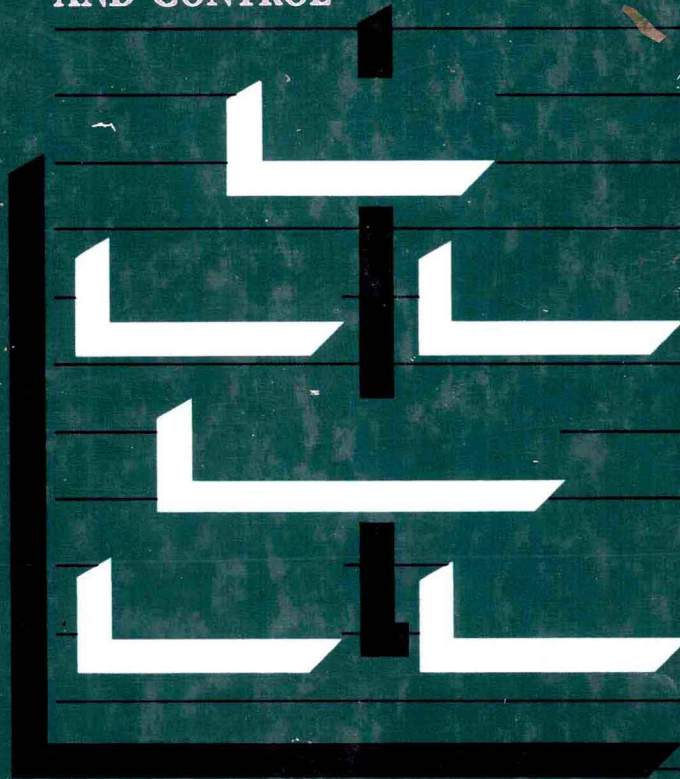


FOURTH EDITION

# STRATEGIC MANAGEMENT

FORMULATION,  
IMPLEMENTATION,  
AND CONTROL



JOHN A. PEARCE II  
RICHARD B. ROBINSON, JR.

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# STRATEGIC MANAGEMENT

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School of Business Administration

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George Mason University

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College of Business Administration

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University of South Carolina

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FOURTH EDITION

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# PREFACE

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**T**he fourth edition of this book is the culmination of 12 years of diligent work by many people. It represents our earnest efforts to further improve a book that has been adopted by over 300 colleges and universities and studied by over a quarter of a million students. This preface will provide you with an overview of the content of this newest edition, and it will give us the opportunity to recognize the many contributors who have aided us in its development.

We have divided the preface into three sections. The first section is for students. It provides a concise overview of the structure and content of the book. The second section is for the instructor. It provides an educator's perspective on what is new in the strategic management field and in this edition. The third section acknowledges the many contributors to this ongoing project.

## To the Student

*Strategic Management: Strategy Formulation, Implementation and Control*, 4th edition, is a book designed to introduce you to the critical business skills of planning and managing strategic activities. It incorporates three teaching approaches: text, cohesion cases, and business case studies.

The text portion provides you with a readable, up-to-date introduction to the management of strategy in the business enterprise. We have integrated the work of strategic management theorists, practitioners, and researchers, with a strong emphasis on real-world applications of strategic management concepts. To further this aim, we have included **Strategy-in-Action** reports throughout all 11 chapters to give you well-known business examples of the key strategy concepts.

The structure of the text material is guided by a comprehensive model of the strategic management process. Perfected by strategic planners and first published by the prestigious journal *California Management Review*, the model will help you acquire an executive-level perspective on strategy formulation, implementation, and control. It provides a visual display of the major components of the entire process and shows both how they are conceptually related and how they are sequenced through the process.

The major components of the model are each discussed in depth in separate chapters, thereby enabling you to acquire detailed knowledge and specific skills within a broad

framework of strategic management. The use of the model is also extended to the cohesion cases and to the business case studies, where you will be guided in your case analyses to pursue disciplined, systematic, and comprehensive studies of actual strategic dilemmas.

The **Cohesion Case** offers an innovative and unique feature designed to aid you and the instructor of strategic management and business policy. We have taken a dynamic entrepreneurial firm in the hazardous waste management industry, Bryson Industrial Services, Inc., and used it as the basis of an in-depth case study to illustrate in detail the application of the text material. To do this, we provide a cohesion case section at the end of each chapter that applies the chapter material to the company. The Bryson case offers a clear illustration of the corporate, business, and functional levels of strategy—so important to the understanding of strategic management in today's corporate environment.

The cohesion case will magnify the benefits of your learning efforts in several important ways:

- It provides a continuous illustration of the interdependence of the various parts of the strategic management process by using the same enterprise throughout the chapters.
- It provides a useful aid in understanding the text material when the primary emphasis in the course is to be on case studies or other nontext analysis.
- It provides a useful aid in preparing for the case analysis component of the course, in the event that the instructor prefers to emphasize the conceptual material.
- It offers an in-depth basis for class discussion of strategic management concepts, application, and ideas for any classroom pedagogy.

The **business case studies and industry notes** developed and chosen for this book offer you wide exposure to a systematically selected cross-section of strategic management situations. All 41 cases and industry notes represent pertinent, relevant, factual, and, we hope, interesting and challenging opportunities to develop and test your skills as strategic managers. The rich diversity among these exciting cases and industry notes is described in greater detail later in this preface.

### To the Instructor

*Strategic Management: Strategy Formulation, Implementation, and Control*, 4th edition, provides a thoroughly revised, state-of-the-art treatment of the critical business skills of planning and managing strategic activities. We have reorganized our treatment of strategic management into 11 chapters, added critical pedagogical features, expanded the number of real-world examples, added a totally new and engaging Cohesion Case, and further incorporated the work of contemporary scholars into our coverage of strategic management. We feel confident you will find the material to be well organized, full of current examples, and reflective of new contributions in the strategic management literature while retaining a structure guided by our time-tested and widely accepted model of the strategic management process.

We have selected 41 cases and industry notes for this edition—all 41 are new! Only



one of the cases, an updated version of the widely acclaimed “Wendy’s International case,” pertains to a company studied in our last edition. Our survey of professors confirmed our belief that the most valuable cases are those that review business situations and that reflect the realities of today’s dynamic, global, and supercompetitive marketplace. For most of us, and certainly for students, there are no classic cases, just old ones.

The cases are grouped into four sections. Eleven cases introduce students to strategic management and the process of strategy formulation, 9 cases place students in the role of implementing basic strategies, 10 cases allow students to experience the challenges of monitoring and controlling implemented strategies, and 11 cases and industry notes allow you to cover industry analysis and strategic management across an integrated set of competitive business situations. We are very excited about the cases selected for this edition—they are contemporary and interesting situations that students will learn from, recognize, and enjoy.

We have prepared a totally new cohesion case. Few industries have captured the interest and reflected the concerns of managers worldwide as has hazardous waste management. Our new cohesion case from this industry, Bryson Industrial Services, Inc., focuses on a representative firm confronted with the numerous and varied strategic opportunities and challenges. Bryson is entrepreneurial, innovative, growing, and cleverly managed. We think that your students will find it to be an ideal case to study as they perfect their applications of the text material to actual business situations.

The teaching package for this edition has been greatly enhanced. J. Kim Dedee of the University of Wisconsin, Oshkosh, and a longtime Pearce & Robinson user, has completely reorganized and revised the **Instructor’s Manual** for this edition. Included in the Instructor’s Manual are such standard features as the 1,500-question test bank, text chapter overviews, and transparency masters. However, the most important part of the manual is the Case Teaching Notes. Kim has completely prepared each teaching note to follow a consistent format. This should make your presentation of the material easier to prepare and deliver. Also included is a section of Strategy Design Decision Support Tools and Techniques, as well as suggested classroom handouts. Our package also includes Lotus templates for the financial information provided in the cases, transparency acetates, and a computerized version of the test bank. Each of the components of our teaching package offers the instructor optimal, integrated flexibility in designing and conducting the strategic management course.

### Changes to Our Text Material

The literature and research comprising the strategic management field has been developing at a rapid pace in recent years. We have endeavored to create a fourth edition that incorporates major developments in this literature while keeping our focus centered on a straightforward and understandable framework through which students can begin to grasp the complexity of strategic management. Several text revisions or additions that you should be aware of are described below:

- The three chapters on external analysis are strengthened by application examples that give our adopters more information on competitive dynamics than is available in any other text. Separate chapters now cover the nature of external envi-

ronments and industry analysis, environmental forecasting, and the multinational business setting.

- A revised and concisely focussed section on the issue of designing organizational structures to fit different strategies.
- Clear distinction between strategic alternatives at the corporate versus business level.
- Major emphasis has been placed on the topic of “strategic control.” Three basic types of strategic control and ways to use them are highlighted in this material.
- Organizational culture as a central dimension of strategy implementation receives thorough coverage. Several useful analytical concepts and techniques that aid identification and management of the strategy-culture interface are incorporated to aid the student in understanding the cultural concept.

Three useful appendices now accompany our text material. A guide to industry information sources follows Chapter 5, Environmental Forecasting. Students will find it most helpful in rapidly orienting them to where and how to get company and industry data. Also following Chapter 5 is an appendix on strategic planning tools and techniques for forecasting. It offers a practical assessment of each of 20 planning aides, as well as source information on where detailed how-to materials can be found. A revised guide to financial analysis is provided following Chapter 6, Internal Analysis. It provides perhaps the most thorough and easy-to-use guide to quantitative analysis of financial and operating information available in any strategic management text.

We have updated and improved our **Strategy-in-Action Capsules**. The text material contains 37 of these illustration vignettes, 30 of which are new to this edition. Each Strategy-in-Action provides a contemporary business example of a key chapter topic designed to enhance student interest and aid learning.

Our popular **Cohesion Case feature** has received considerable attention this edition. Not only have we prepared a completely new case to illustrate in detail the application of the text material but we also continue to provide cohesion case sections at the end of each chapter, which apply chapter material to the Bryson Industrial Services situation.

Our survey of over 200 adopters and “almost adopters” told us they wanted material to aid students who are unsure about the case method. They wanted us to inform students about what they need to do in preparing a case and in maintaining a strategic point of view. Therefore, we have included a major section in this edition that is solely intended to aid students in understanding case method pedagogy and to prepare them to analyze a case. The first part of this section provides a thorough and detailed description of the case method format; what to expect in each class session; and how to analyze a case, prepare it for class, and participate in class discussion. The second part offers a short case accompanied by a useful example of former students’ analysis and preparation of it. These two learning aids, combined with the new cohesion case illustrating each step of strategic analysis, provide the most thorough package available in any strategy textbook to ensure that students understand and benefit from the case method pedagogy.

In conclusion, we are confident you will find the text material in this edition to be organized, concise, filled with current examples, and consistent with the current theory and practice of strategic management.

### Cases in the Fourth Edition

We are very excited about the 41 cases and industry notes available in this edition. All 41 are new to this edition! We are confident that you will find this case collection does an excellent job of meeting your classroom needs for several reasons.

The collection offers a rich diversity of recognizable domestic, foreign, and international companies and industries. The cases present very current situations. All of the cases involve situations from 1987 to 1990, and all focus on issues in the forefront of strategic management for the 1990s.

Contemporary, recognizable, interesting situations abound: the resurgence of Wendy's; the reemergence of Harley-Davidson; the dynamic environment of Harcourt Brace Jovanovich; the strategic maneuvering of Polaroid Corporation; survival strategies in mature industries exemplified by General Motors, Chrysler, and American Motors; the explosive growth of global competitor Hazleton Laboratories; and the cases of both male and female entrepreneurs building companies in retailing, software, and entertainment settings—all situations our tests have shown stimulate student interest.

The nature of the firms provides varied exposure. We have included 7 small companies in either family or rapid-growth phases, 2 foreign (non-U.S.) companies, 28 companies with international operations, 12 of the top companies in America, 2 nonprofit organizations, and 3 industry notes providing three companies in competition with each other.

In all, adopters have a variety of domestic and international industry settings at different stages of evolution and that span manufacturing, services, and consumer products. Different cases cover the basic types of business (retail, wholesale, service, manufacturing), of companies in market leadership positions, of companies falling out of leadership, of high-tech companies, and of exporters, importers, and diversifying companies.

We have also given significant attention to case length. A major effort has been made to ensure that a majority of the cases are short to medium in length.

Finally, we have endeavored to ensure a collection of cases that are flexible in their course sequencing, yet able to offer exposure to distinct management challenges associated with strategy formulation, implementation, or control. Because our survey found case flexibility to be one of the key concerns of strategic management professors, the cases were assembled with this need upmost in our minds.

Overall, we think you will find this case collection interesting and motivating for your students, representative and varied in the application of strategic problems and analytical applications, flexible in terms of course sequencing, and teachable.

### Acknowledgments

We have repeatedly benefited from the help of many people in the evolution of this book over four editions. Students, adopters, colleagues, and reviewers have provided literally hundreds of insightful comments, suggestions, and contributions that have progressively enhanced this "package." We are indebted to several researchers, writers, and practicing managers who have accelerated the development of the literature on strategic management.

We are likewise indebted to the talented case researchers who have produced several cases used in this book, as well as to the growing network of case researchers encouraging the revitalization of case research as an important academic endeavor. The discipline of



strategic management is eminently more teachable when current well-written and well-researched cases are available. We encourage every opportunity to reinforce proper recognition and reward for first-class research—it is a major avenue through which top strategic management scholars should be recognized.

The following strategic management scholars have provided the results of their case research in the creation of this fourth edition:

Robert Anderson, College of Charleston  
Bobby Bizzell, University of Houston  
Charles Boyd, Southwest Missouri State  
Lew Brown, University of North Carolina  
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Keith Denton, Southwest Missouri State  
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John Grant, Arizona State  
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John Seeger, Bentley College  
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Joseph Wolfe, University of Tulsa  
Shaker Zahra, George Mason University

We have personally ensured that the dean at each of the case author's respective institutions is aware of the value that their case research efforts have added to the professionals' ability to teach strategic management.

The development of this book through four editions has been greatly enhanced by the generous commitment of time, energy, and ideas from the following people:

Sonny Ariss, University of Toledo  
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Elizabeth Freeman, Portland State University  
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Michael Geringer, Southern Methodist University  
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Troy Jones, University of Central Florida  
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Michael White, University of Tulsa  
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Robley Wood, Virginia Commonwealth University

The valuable ideas, recommendations, and support of these outstanding scholars and teachers have added quality to this book.

Because we are affiliated with two separate universities, we have two sets of co-workers to thank.

The growth and dynamic environment at George Mason University have contributed directly to the development of this edition. Valuable critiques and helpful recommendations have been made by strategic management faculty: Jeff Bracker, Keith Robbins, and Shaker Zahra, and Jack's colleagues Debra Cohen, Jon English, Rodger Griffith, Eileen Hogan, Janice Jackson, Ken Kovach, and Bill Schulte. For his gracious support and personal encouragement, we also wish to thank Coleman Raphael, dean of George Mason University's School of Business Administration. For their excellent secretarial assistance, we most sincerely appreciate the work of Virginia Martin and Alesia Gesualdi.

We are especially grateful to LeRoy Eakin, Jr., and his family for their generous endowment of the Eakin Endowed Chair in Strategic Management at George Mason University that Jack holds. The provisions of the chair have enabled Jack to continue his dual involvements with this book and strategic management research.

The stimulating environment at the University of South Carolina has contributed to the development of this book. Thought-provoking discussions with strategy colleagues Alan Bauerschmidt, Carl Clamp, Jim Chrisman, Herb Hand, John Logan, Bob Rosen, Bill Sandberg, and David Schweiger gave us many useful ideas. Likewise, we want to thank James F. Kane, dean of the College of Business Administration; James G. Hilton, associate dean; and Joe Ullman, program director in management, for their interest and support. Our sincere appreciation also goes to Susie Gossage and Sandy Bennett for their help in preparing this manuscript and in solving endless logistical problems.

In using this text, we hope that you will share our enthusiasm both for the rich subject of strategic management and for the learning approach that we have taken. We value your recommendations and thoughts about our materials. Please write Jack at the Department of Management, School of Business Administration, George Mason University, Fairfax, Virginia 22030, (703-323-4361) or Richard at the College of Business Administration, University of South Carolina, Columbia, South Carolina 29208, (803-777-5961).

We wish you the very best as you advance your knowledge in the exciting and rewarding field of strategic management.

**Jack Pearce**

**Richard Robinson**

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## ABOUT THE AUTHORS

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**John A. Pearce II, Ph.D.**, is the holder of the Eakin Endowed Chair in Strategic Management and a State of Virginia Eminent Scholar in the School of Business Administration at George Mason University (Fairfax, VA 22030, 703-323-4361).

Professor Pearce has published more than 130 journal articles, invited book chapters, and professional papers in outlets that include the *Academy of Management Executive*, *Academy of Management Journal*, *Academy of Management Review*, *California Management Review*, *Journal of Business Venturing*, *Sloan Management Review*, and the *Strategic Management Journal*. Professor Pearce is also the coauthor or coeditor of 25 texts, proceedings, and supplements for publishers that include Richard D. Irwin, Inc., McGraw-Hill, Random House, and the Academy of Management.

Elected to more than a dozen offices in national and regional professional associations, Professor Pearce has served as Chairman of the Academy of Management's Entrepreneurship Division, Strategic Management and Entrepreneurship Track Chairman for the Southern Management Association, and Strategy Formulation and Implementation Track Chairman for the Decision Sciences Institute. He was the President of the Southern Management Association in 1990.

An active consultant and management trainer, Professor Pearce specializes in helping executive teams to develop and activate their firms' strategic plans.

**Richard B. Robinson, Jr., Ph.D.**, is currently on leave from his position as Professor of Strategy and Entrepreneurship in the College of Business Administration at the University of South Carolina (Columbia, SC 29208, 803-777-5961). Professor Robinson has accepted the position of President of Bryson Industrial Services, Inc.—the cohesion case company. The Board of Directors has asked Professor Robinson to guide the company's transition from being an owner-managed to a manager-managed company. He is also responsible for implementing an aggressive acquisition program in preparation for a potential, mid-1990s public offering.

Professor Robinson has published more than 100 journal articles, invited chapters, and professional papers in outlets that include the *Academy of Management Journal*, *Strategic Management Journal*, *Academy of Management Review*, *Journal of Business Venturing*, *Journal of Small Business Management*, *Entrepreneurship: Theory and Practice*, and the

*Personnel Administrator*. He is also coauthor or coeditor of 16 texts, proceedings, and supplements for publishers that include Richard D. Irwin, Inc., McGraw-Hill, Random House, and the Academy of Management.

Professor Robinson is the recipient of several awards in recognition of his work in strategic management and entrepreneurship. Sponsors of these awards include the Heizer Capital Corporation, the Academy of Management, the Center for Family Business, the National Association of Small Business Investment Companies, the Southern Business Administration Association, the Small Business Administration, the National Venture Capital Association, and Beta Gamma Sigma. He has also held offices in the Academy of Management, the Southern Management Association, and the International Council of Small Business. Professor Robinson is an active consultant in the strategic management of growth-oriented ventures.



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