

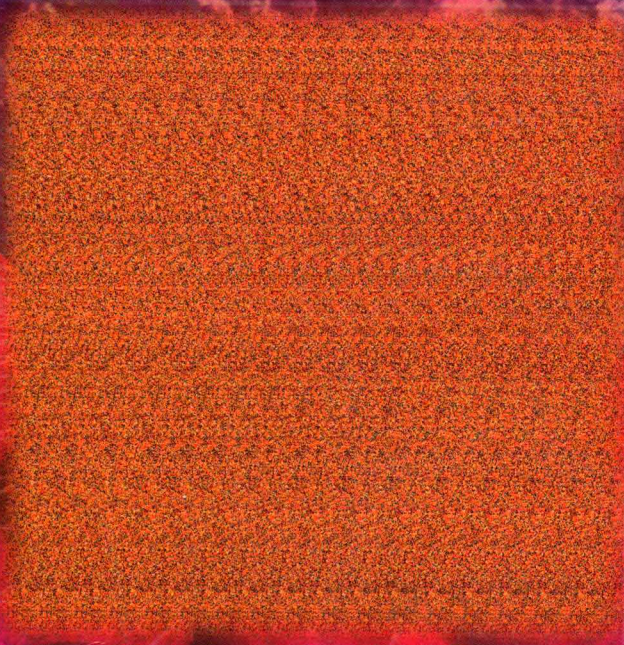


2nd edition

# Strategy

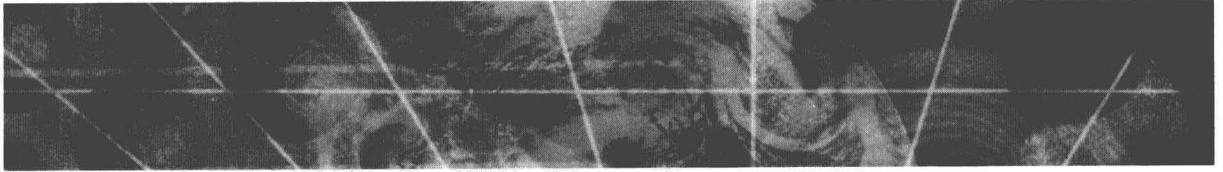
Process, Content, Context

Bob de Wit & Ron Meyer



An International Perspective





# Strategy

## Process, Content, Context

*An International Perspective*

Second edition

■ **Bob de Wit**

*Maastricht School of Management  
The Netherlands*

■ **Ron Meyer**

*Rotterdam School of Management  
Erasmus University  
The Netherlands*

*with the assistance of  
**Pursey Heugens***



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Strategy: Process, Content, Context

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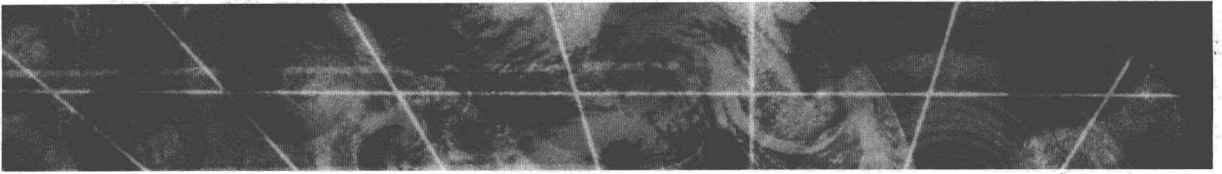
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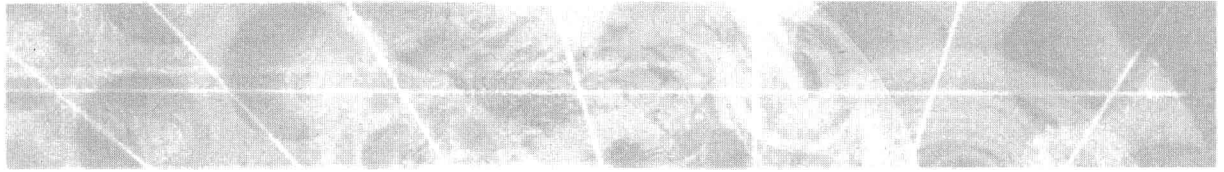


# **Strategy**

## **Process, Content, Context**

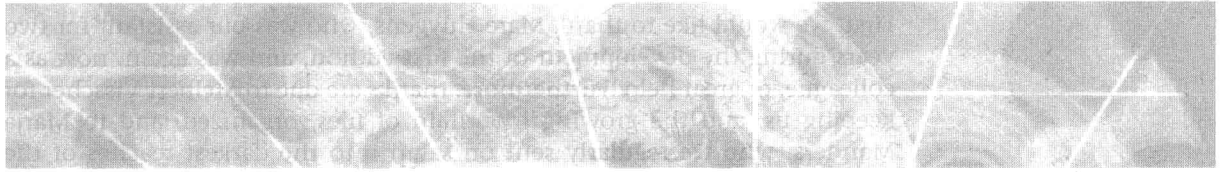
*An International Perspective*

**To Pam and Monique**



# General Table of Contents

<b>Section I</b>	STRATEGY	Chapter 1	Introduction
<b>Section II</b>	STRATEGY PROCESS	Chapter 2	Strategic Thinking
		Chapter 3	Strategy Formation
		Chapter 4	Strategic Change
<b>Section III</b>	STRATEGY CONTENT	Chapter 5	Business Level Strategy
		Chapter 6	Corporate Level Strategy
		Chapter 7	Network Level Strategy
<b>Section IV</b>	STRATEGY CONTEXT	Chapter 8	The Industry Context
		Chapter 9	The Organizational Context
		Chapter 10	The International Context
<b>Section V</b>	PURPOSE	Chapter 11	Organizational Purpose
<b>Section VI</b>	CASES		



# Acknowledgements

This book is not the product of our labors alone – we are merely its architects. As architects we have been responsible for the underlying philosophy and general design of this book. We have determined the necessary structure and the building materials needed. However, for the realization of our ideas we have been dependent on the skills, support and input of a very large number of other people.

Foremost, this book would not have been possible without the high quality building blocks supplied by external authors. We are much indebted to these writers, and to their publishers, and greatly appreciate their goodwill and cooperative spirit. Without their collaboration we would not have been able to create the structure of the book as we had envisioned.

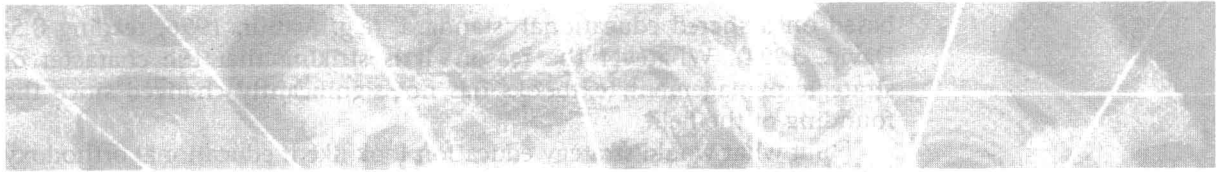
Furthermore, we wish to thank the many people who have provided feedback on the first edition and commented on our 'blue prints' for the second edition. Without the valuable inputs from many book users and colleagues, this book would never be as it is today. The same is true with regard to the very useful comments and ideas brought forward by our students and workshop participants. In the four years since the publishing of the first edition, we have had the opportunity to present our ideas to universities and companies in dozens of countries around the world, and this has led to major changes in the second edition. In this context, we would specifically like to thank the Maastricht School of Management and director El-Namaki for supporting this international learning experience.

Once the blue prints are ready and the building blocks are assembled, someone must start turning plans into reality. In this case, International Thomson Publishing has played the important role of helping us to realize our intentions. For the first edition we were lucky to be teamed up with David Godden, whose enthusiasm, creativity and professionalism greatly expediated the process of transforming our manuscript into a marketable book. For this second edition we have again been fortunate, with Steven Reed as our editor, who has been supportive, open-minded and patient during the entire project.

Last, but not least, we would like to express our appreciation to a number of individuals who closely helped us during the designing process.

First, we would like to thank Marc Huygens, who was our assistant for two years during the development of the first edition, and was again, now as a colleague, of great help. Furthermore, thanks are due to Melbert Visscher for keeping us, and the growing mountain of files, organized, and to Marja Manders, who we regularly sent on safari into the darkest reaches of the library to find cases and articles, and always came through with the right material. But most of all, we would like to thank our assistant of the past two years, Pursey Heugens. His ability to combine flexibility with perseverance, and humor with studiousness, have proven to be very valuable in getting this second edition out of its scaffolding.





# Preface

*Not only is there an art in knowing a thing, but also a certain art in teaching it.*

(Cicero 106–43 BC; Roman orator and statesman)

What is a good strategy for teaching the topic of strategy? Judging by the similarity of the strategic management textbooks currently available, there seems to be a general consensus among business professors on the best approach to teaching strategy. It is not an exaggeration to say that strategic management education is dominated by a strong *industry recipe* (Spender, 1989). Almost all textbooks share the following characteristics:

- The presentation of a *limited number of perspectives and theories* as accepted knowledge, from which prescriptions can easily be derived.
- The use of a simple *step-by-step strategic planning approach* as the books' basic structure.
- The reworking of original material into the textbook authors' own words to create *consistent and easily digestible pieces of text*.
- The choice of perspectives, theories, examples and cases that are heavily biased towards the textbook authors' own *domestic context*.

It is interesting to speculate on the causes of this isomorphism in the 'strategic management education' industry. Institutionalists would probably point to the need for legitimacy, which leads textbook authors to conform to widely accepted practices and to avoid major innovations (e.g. Abrahamson, 1996; Powell and DiMaggio, 1991). Social psychologists would likely suggest that over the years shared cognitive structures have developed within the strategic management community, which makes the prevailing educational paradigm difficult to challenge (e.g. McCaskey, 1982, reading 2.4 in this book; Smircich and Stubbart, 1985, reading 2.5). Theorists taking a new institutional economics perspective would probably interpret the uniformity of strategic management textbooks as a form of lock-in, caused by the large investments already made by publishers and business professors

based on a shared educational 'standard' (e.g. Arthur, 1996, reading 8.5; David, 1994). Whatever the reason, it is striking that the character of strategic management textbooks has not significantly changed since the founding of the field.

But what would strategy education look like if educational orthodoxy was actively challenged and the industry rules were broken? How might strategy be taught if the current constraints were thrown aside and the teaching process was boldly reengineered? In short, what would happen if some strategic thinking were applied to the teaching of strategy?

During the last 10 years, we have continuously asked ourselves these questions. Our conclusion is that all four of the above features of current strategic management textbooks greatly inhibit the development of independent strategic thinkers and therefore urgently need to be changed. It is for this reason that we decided to create a book ourselves, with the following characteristics:

- *A broad representation of differing, and often conflicting, perspectives and theories*, reflecting the richness of current debate among academics and practitioners in the field of strategic management.
- *An issue-based book structure*, focusing on 10 key strategy questions, that are discussed from a variety of angles, leaving readers to draw their own conclusions.
- *The presentation of original articles and book chapters*, to offer readers a first-hand account of the ideas and theories of influential strategy thinkers.
- *A strong international orientation*, as reflected in the choice of topics, theories, readings, examples and cases.

In the following paragraphs the rationale behind the choice for these characteristics will be explained. Following this discussion, the structure of the book and the ways in which it can be employed will be further clarified.

## Using Multiple Strategy Perspectives

Some people are so good at learning the tricks of the trade that they never get to learn the trade.

(Sam Levenson 1911–1980; American teacher and comedian)

What do we actually want students in a strategic management or business policy course to learn? It seems an obvious question to start with, especially for professors who teach about objective setting. Yet, in practice, the large majority of strategic management textbooks on the market do not make their teaching objectives explicit. These books implicitly assume that the type of teaching objectives and teaching methods needed for a strategic management course do not radically differ from any other subject – basically, strategy can be taught in the same way as accounting or baking cookies. Their approach is based on the following teaching objectives:

- 1 *Knowledge*. To get the student to clearly understand and memorize all of the major 'ingredients'.
- 2 *Skills*. To develop the student's ability to follow the detailed 'recipes'.
- 3 *Attitude*. To instill a disciplined frame of mind, whereby the student automatically attempts to approach all issues by following established procedures.

This is an important way of teaching – it is how all of us were taught to read and write, do arithmetic and drive a car. This type of teaching can be referred to as *instructional*, because students are *told* what to know and do. The instructor is the authority who has all of the necessary knowledge and skills, and it is the instructor's role to *transfer* these to the students. Thus the educational emphasis is on communicating know how and ensuring that students are able to repeat what they have heard. Students are not encouraged to question the knowledge they receive – on the contrary, it is the intention of instructional teaching to get students to absorb an accepted body of knowledge and to follow established recipes. The student should *accept, absorb and apply*.

However, while instructing students on a subject and programming their behavior might be useful in such areas as mathematics, cooking and karate, we believe it is not a very good way of teaching strategy. In our opinion, a strategic management professor should have a different set of teaching objectives:

- 1 *Knowledge*. To encourage the understanding of the many, often conflicting, schools of thought and to facilitate the gaining of insight into the assumptions, possibilities and limitations of each set of theories.
- 2 *Skills*. To develop the student's ability to define strategic issues, to critically reflect on existing theories, to creatively combine or develop conceptual models where necessary and to flexibly employ theories where useful.
- 3 *Attitude*. To instill a critical, analytical, flexible and creative mindset, which challenges organizational, industry and national paradigms and problem-solving recipes.

In other words, strategy professors should want to achieve the opposite of instructors – not to instill recipes, but rather to encourage students to dissect and challenge recipes. Strategic thinking is in its very essence questioning, challenging, unconventional and innovative. These aspects of strategic thinking cannot be transferred through instruction. A critical, analytical, flexible and creative state of mind must be developed by practicing these very qualities. Hence, a learning situation must encourage students to be critical, must challenge them to be analytical, must force them to be mentally flexible and must demand creativity and unconventional thinking. In short, students cannot be instructed, but must learn the art of strategy by thinking and acting themselves – they must *discuss, deliberate and do*. The role of the professor is to create the circumstances for this learning. We therefore refer to this type of teaching as *facilitative*.

This teaching philosophy has led to a radical departure from traditional

textbooks that focus on knowledge transfer and application skills, and that have often been written from the perspective of just one paradigm. In this book the fundamental differences of opinion within strategic management are not ignored or smoothed over. On the contrary, it is the mission of this book to expose students to the many, often conflicting, perspectives in the field of strategy (for classifications see Bailey and Johnson, 1992; Mahoney and Pandian, 1992; Mintzberg, 1990; Schoemaker, 1993; Whittington, 1993). It is our experience that the challenge of comparing and reconciling rivaling strategy perspectives sharpens the mind of the 'apprentice' strategists. Throwing students into the midst of the central strategy debates, while simultaneously demanding that they apply their thinking to practical strategic problems, is the most likely way to enhance the qualities of creativity, flexibility, independence and analytical depth that students will need to become true strategic thinkers.

## Focusing on Strategy Debates

**Education**, n. That which discloses to the wise and disguises from the foolish their lack of understanding.

(*The Devil's Dictionary*, Ambrose Bierce 1842–1914; American columnist)

While it is the objective of this book to increase students' strategic thinking abilities by exposing them to a wide range of theories and perspectives, it is not the intention to confuse and disorient. Yet in a subject area like strategic management, in which there is a broad spectrum of different views, there is a realistic threat that students might go deaf listening to the cacophony of different opinions. The variety of ideas can easily become overwhelming and difficult to integrate.

For this reason, the many theories, models, approaches and perspectives have been clustered around 10 central strategy issues, each of which is discussed in a separate chapter. These 10 strategy issues represent the key questions with which strategists must deal in practice. Only the theorists whose ideas have a direct bearing on the issue at hand are discussed in each chapter.

To stimulate students' interest and to avoid a dry summary of the various theories, each chapter has been structured as a *debate*. Students are introduced to each new topic by witnessing a 'virtual debate' between theorists with radically different points of view. From the outset of each chapter, the conflicting perspectives are contrasted with one another, to encourage students' engagement and to provoke critical thinking.

To further structure the 10 debates, each chapter opens by comparing two important perspectives that are largely each others' opposite. By introducing the two opposite poles in the debate, students quickly acquire an overview of the range of ideas on the issue and gain insight into the major points of contention. As such, this way of staging a debate, by starting with two opposite positions, has many of the advantages of *dialectical inquiry*

(Hampden-Turner, 1990; Mason and Mitroff, 1981; Schwenk, 1988). By providing students with a *thesis* and an *antithesis*, they are challenged to search for some type of *synthesis* themselves. It should be noted, however, that the debates only begin with this simplified bipolar world, but that additional points of view are brought in as each chapter progresses.

## Using Original Readings

You must learn from the mistakes of others. You can't possibly live long enough to make them all yourself.

(Sam Levenson 1911–1980; American teacher and comedian)

There are no better and more lively debates than when rivals put forward their own ideas as forcefully as they can. For this reason, we have chosen to structure the strategy debates by letting influential theorists speak for themselves. Instead of translating the important ideas of key writers into our own words, each chapter contains five original readings in which the theorists state their own case. These five readings can be viewed as the discussants in the debate, while our role is that of chairmen. At the beginning of each chapter we set the stage for the debate and introduce the various perspectives and 'speakers', but as conscientious chairmen we avoid taking a position in the debate ourselves.

The five readings in each chapter have been selected with a number of criteria in mind. As a starting point, we were looking for the articles or books that are widely judged to be classics in the field of strategy. However, to ensure the broad representation of different perspectives, we occasionally looked beyond established classics to find a challenging minority point of view. Finally, discussants are only as good as their ability to communicate to the non-initiated, and therefore we have sometimes excluded certain classics as too technical.

To keep the size of the book within acceptable limits, most readings have had to be reduced in length, while extensive footnotes and references have had to be dropped. At all times this editing has been guided by the principle that the author's key ideas and arguments must be preserved intact. To compensate for the loss of references in each article, a combined list of the most important references has been added to the end of each chapter.

## Taking an International Perspective

He who knows only his side of the case, knows little of that.

(John Stuart Mill 1806–1873; English philosopher)

While almost all strategic management textbooks have been mainly produced for their author's domestic market and are later exported overseas,

this book has been explicitly developed with an international audience in mind. For students the international orientation of this book has a number of distinct advantages:

- *Cross-cultural differences.* Although there has been relatively little cross-cultural research in the field of strategy, results so far indicate that there are significant differences in strategy styles between companies from different countries. This calls into question the habit among strategy researchers to present universal theories, without indicating the cultural assumptions on which their ideas have been based. It is not unlikely that strategy theories have a strong cultural bias and therefore can not be simply transferred from one national setting to another. Much of the debate going on between strategy theorists might actually be based on such divergent cultural assumptions. In this book the issue of cross-cultural differences in strategy style is raised in each chapter, to debate whether strategists need to adapt their theories, perspectives and approaches to the country in which they are operating.
- *International context.* Besides adapting to a specific country, many companies are operating in a variety of countries at the same time. In this international arena they are confronted with a distinct set of issues, ranging from global integration and coordination, to localization and transnationalization. This set of issues presented by the international context is debated in depth in Chapter 10.
- *International cases.* To explore how the various strategy perspectives can be applied to different national contexts, it is imperative to have cases from a wide variety of countries, spread around the world. In this book the 33 cases (22 long and 11 short cases) cover more than 20 countries and most of the cases have an international orientation.

## Changes to the Second Edition

Change is not made without inconvenience, even from worse to better.  
(Samuel Johnson 1709–1784; English lexicographer)

The second edition contains significant changes compared to the first edition. While the basic approach and structure have remained largely the same, major revisions have been implemented. These alterations are partially due to new advancements in the field of strategic management, but also reflect the continual learning that has taken place as this new teaching format has developed emergently. Furthermore, additional changes were necessary as the first edition was oriented towards European readers, while this second edition directs itself to a world-wide audience. Professors using the first edition will recognize the following improvements:

- *New chapters.* The second edition contains three new chapters. The most significant changes have been in the strategy process section, where the old chapters 2 (strategy process paradigms) and 3 (strategy process organization) have been merged into a new Chapter 3, entitled 'Strategy Formation'. The old Chapter 4 on strategy process tools, which as an



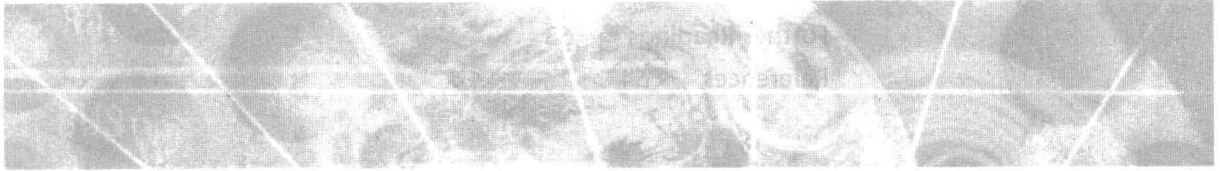
exception did not revolve around a debate, but merely contained a set of strategic management techniques, has been dropped. To the strategy process section we have now added a new Chapter 2 on 'Strategic Thinking' and a new Chapter 4 on 'Strategic Change'. The other major change has been the deletion of the old Chapter 11, which dealt with the European context. In its place we have introduced a new Chapter 11 on the topic of 'Organizational Purpose'. The total number of chapters has therefore remained constant, while the total amount of material has increased only slightly.

- *New introductions.* Another important change is that all chapter introductions have been rewritten and expanded. In the first edition the chapter introductions were short and the readings made up the bulk of the text. This made the book difficult for students to comprehend without assistance and left professors with the task of tying the readings together. The new chapter introductions are longer and do a more thorough job of structuring the debates and setting the stage for the readings that follow.
- *New readings.* About half of the readings (28) are new. Of course, most of the readings in the new chapters were not represented in the first edition. Furthermore, some new 'classics-to-be' have been recently published and have made their way into the book. A few other changes were made to ensure a balanced coverage of the most important perspectives on strategic management.
- *In international perspective.* A new feature in the second edition is that each chapter is concluded by a discussion on whether there are international differences in approach to the topic being debated. At the end of each chapter the question is raised whether some views on strategy are more predominant, and possibly more appropriate, in one country than in another. These pieces have been inserted to enhance the cross-cultural aspect in the strategy debates.
- *New cases.* To remain up to date and to create a better geographic spread, approximately half of the cases have been replaced by new ones. What remains unchanged is that there are two cases per chapter that provide an excellent fit. A new feature is that each chapter now also contains a short, two-page case, which provides a good illustration of the debate at hand, and can also be used if there is insufficient time to prepare one of the longer cases. These short cases are particularly useful in executive programs and in-company courses, where managers can read and discuss them on the spot.

We are aware that these changes might bring inconvenience, even though they are 'from worse to better'. As every strategist knows, 'software upgrades' require users to invest time and energy to acquaint themselves with the new version. However, we trust that previous 'users' will find the 2.0 version of our book well worth the additional investment.

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# Contents

Acknowledgements	xvii
Preface	xix

## SECTION I

### **Strategy** 1

---

#### **1 Introduction** 3

The Nature of Strategy	3
Identifying the Strategy Issues	4
Structuring the Strategy Debates	13
Developing an International Perspective	18
Exhibit 1.1 MTV Networks: Between Rock and a Hard Place?	20
The Readings	22
Reading 1.1 The First Strategists <i>by Stephen Cummings</i>	25
Reading 1.2 Defining the Concept of Strategy <i>by Arnaldo Hax</i>	28
Reading 1.3 The Evaluation of Business Strategy <i>by Richard Rumelt</i>	33
Reading 1.4 Complexity: The Nature of Real World Problems <i>by Richard Mason &amp; Ian Mitroff</i>	41
Reading 1.5 Cultural Constraints in Management Theories <i>by Geert Hofstede</i>	51