

Table of contents

Preface	7
1 Strategic Management Foundations	19
1.1 What Is Strategy?	19
1.1.1 Origins and Views of Strategy	24
1.1.1.1 Roots of Strategy	24
1.1.1.2 Business Views of Strategy: the 5 P's	26
1.1.2 Understanding Strategy with Six Principles	28
1.1.2.1 Quest for Competitive Advantage	29
1.1.2.2 Fit of Markets and Resources	32
1.1.2.3 Being Different and Making Choices	36
1.1.2.4 Path to a Destination	42
1.1.2.5 Consistency in Behavior	43
1.1.2.6 Multiple Level and Theme Alignment	46
1.1.3 Measuring Competitive Advantage and Company Performance	49
1.1.3.1 Economic Value	50
1.1.3.2 Accounting Performance (Profitability)	53
1.1.3.3 Economic Performance and Shareholder Value	56
1.1.3.4 Corporate Sustainability Performance	57
1.2 Strategic Decision Making	74
1.2.1 Foundations of Decision Making	74
1.2.1.1 Rational Model	74
1.2.1.2 Bounded Rationality	75
1.2.1.3 Intuition	76
1.2.2 Strategic Decision Situations	78
1.2.2.1 Characteristics of Strategic Decision Situations	79
1.2.2.2 Dealing with Strategic Decision Situations	81
1.2.2.3 Cognitive Biases and How to Counter Them	82
1.3 What is Strategic Management?	87
1.3.1 Evolution of Strategic Management	87
1.3.2 Schools of Thought and Paradigms in Strategic Management	90
1.3.3 The Wheel of Strategy Framework	95
1.3.3.1 Strategy Process	96
1.3.3.2 Structure and Corporate Culture	98
1.3.3.3 Strategic Leadership	100
1.3.4 Making Strategic Management Effective	103
1.4 Summary	106

PART I Developing Strategies: Strategic Analysis, Ideation, and Choice	109
2 Strategic Analysis	111
2.1 Understanding the Initial Strategic Situation	111
2.1.1 The Company and Its Stakeholders	112
2.1.2 Developing a Strategic Analysis Framework	122
2.2 External Strategic Analysis	123
2.2.1 Macroenvironment	125
2.2.2 Industry	132
2.2.2.1 Defining the Relevant Market	133
2.2.2.2 Industry Profitability Analysis and Competitive Forces	137
2.2.3 Competitive Arena	143
2.2.3.1 Markets and Customers	143
2.2.3.2 Competitors and Strategic Groups	151
2.2.3.3 Other External Stakeholders	159
2.3 Internal Strategic Analysis	159
2.3.1 Analyzing Resources, Capabilities, and Competencies	161
2.3.1.1 Strengths and Weaknesses Profile	162
2.3.1.2 Value Chain Analysis	164
2.3.1.3 7-S-Model	167
2.3.1.4 Additional methods for internal strategic analysis	169
2.3.2 Identifying Core Competencies	171
2.4 Consolidating Strategic Key Insights	174
2.4.1 SWOT-based Strategic Analysis Summary	174
2.4.2 Portfolio-based Situation Assessment	178
2.4.3 Focal Points for Strategy Formulation	189
2.5 Summary	190
3 Strategy Formulation	193
3.1 Strategic Guideposts	193
3.1.1 Vision	196
3.1.2 Mission and Purpose	201
3.1.3 Values	208
3.2 Corporate Strategy	212
3.2.1 Corporate Parenting	215
3.2.2 Scope of Business	219
3.2.2.1 General Directional Strategies	219
3.2.2.2 Diversification Strategies	222
3.2.2.3 Vertical Integration Strategies	228

3.3	International Strategy	232
3.3.1	International Business Expansion	232
3.3.1.1	Whether to Go: Internationalization Motives	233
3.3.1.2	Where to Go: Country Market Selection	235
3.3.1.3	How to Go: Entry and Go-to-Market Strategy	242
3.3.2	Transnational Management	247
3.3.2.1	Strategy Postures in Multinational Corporations	249
3.3.2.2	Transnational Strategies	251
3.4	Business Strategy	255
3.4.1	Intensive Growth Strategies	255
3.4.1.1	Market Penetration	256
3.4.1.2	Product Development	257
3.4.1.3	Market Development	259
3.4.2	Generic Competitive Strategies	260
3.4.2.1	Best Product	261
3.4.2.2	Lock-in	268
3.4.2.3	Complete Customer Solution	270
3.4.3	Breaking Out of Traditional Competition	271
3.4.3.1	Cooperative Strategies	271
3.4.3.2	Blue Ocean Strategies	273
3.4.3.3	Sustainable Strategies	276
3.5	Business Models	280
3.5.1	Conventional Business Models	280
3.5.1.1	Business Model Frameworks	282
3.5.1.2	Key Building Blocks of a Business Model	285
3.5.1.3	Business Model Innovation	290
3.5.1.4	Business Model Patterns	294
3.5.2	Sustainable Business Models	305
3.5.2.1	Characteristics of Sustainable Business Models	307
3.5.2.2	Design Methodologies for Sustainable Business Models	312
3.5.2.3	Sustainable Business Model Patterns	315
3.5.3	Benefits and Pitfalls for the Business Model Approach	320
3.5.4	Business Ecosystems	323
3.6	Strategy Option Evaluation and Choice	326
3.6.1	Key Criteria for Evaluating Strategy Options	327
3.6.1.1	Plausibility	328
3.6.1.2	Consistency	329
3.6.1.3	Performance Impact	330
3.6.1.4	Business Risk	334

3.6.1.5	Stakeholder Compatibility	336
3.6.1.6	Internal Readiness	339
3.6.2	Strategic Choice—Selecting Strategy Options	340
3.7	Summary	341
PART II Bringing It into Reality: From Strategy to Action and Control		345
4	Strategy Execution	347
4.1	Making Strategies Happen: Barriers and Drivers	347
4.1.1	Barriers to Strategy Execution	349
4.1.2	Strategy Execution Excellence	351
4.2	Organizational Design	356
4.2.1	Culture—How Things are Done Around Here	357
4.2.1.1	Key Dimensions for Analyzing Organizational Culture	362
4.2.1.2	Integrating Strategy and Culture	366
4.2.2	Structure—the Managerial Underpinning	371
4.2.2.1	Organizational Structure	375
4.2.2.2	Business Processes	382
4.2.2.3	Managerial Systems	394
4.2.2.4	Integrating Strategy and Structure	415
4.3	Strategy Execution System	422
4.3.1	Developing a Strategy Execution System	425
4.3.2	Describe Strategy	434
4.3.2.1	Deriving Strategic Goals	435
4.3.2.2	Developing a Strategy Map	447
4.3.2.3	Benefits and Pitfalls of Strategy Mapping	456
4.3.3	Cascade and Align Strategy	460
4.3.3.1	Applying Strategic Themes	463
4.3.3.2	Identifying Strategy Alignment Needs	464
4.3.3.3	Sequencing Goals, Metrics and Actions	468
4.3.3.4	Setting Cascading Paths	469
4.3.3.5	Choosing Cascading Methods	470
4.3.3.6	Aligning Vertically and Horizontally	475
4.3.3.7	Benefits and Pitfalls of Strategy Alignment	476
4.3.4	Make Strategy Measurable	479
4.3.4.1	Developing a Balanced Scorecard	479
4.3.4.2	Setting Targets	484
4.3.4.3	Benefits and Pitfalls of Measuring Strategy	487
4.3.5	Plan Strategic Actions	490
4.3.5.1	Developing and Prioritizing Strategic Actions	491
4.3.5.2	Refining and Aligning Strategic Actions	493
4.3.5.3	Benefits and Pitfalls of Strategic Action Planning	496

4.3.6	Align Organization to Strategy	496
4.3.6.1	Resources	497
4.3.6.2	People	504
4.3.6.3	Management Information	515
4.3.6.4	Benefits and Pitfalls of Organizational Alignment	523
4.3.7	Execute and Control Strategy	525
4.3.7.1	Control Execution: Strategic Performance Reviews	528
4.3.7.2	Control Assumptions and Observe Environment	534
4.3.7.3	Test and Adapt Strategy	538
4.3.7.4	Benefits and Pitfalls of Strategic Control	540
4.4	Summary	542
Appendix: Strategy Workout and Review Questions		545
Strategy Workout		547
Kick-off		547
Firm selection		547
Company background		548
Brief strategy review		548
Strategic analysis		548
Stakeholders and strategic analysis framework		548
External strategic analysis		549
Internal strategic analysis		550
Consolidation of the initial strategic situation		550
Strategy formulation		550
Strategic guideposts		550
Corporate strategy		551
International strategy		552
Business strategy		552
Strategy option evaluation and choice		553
Strategy execution		554
Organizational design		554
Describe the strategy		554
Cascade and align the strategy		555
Make strategy measurable		555
Plan strategic actions		556
Align organization to strategy		556
Execute and control strategy		557

Review Questions	559
Chapter 1: Foundations of Strategic Management	559
Chapter 2: Strategic Analysis	560
Chapter 3: Strategy Formulation	562
Chapter 4: Strategy Execution	563
References	567
Index	605
The Author	619