

CONTENTS

About <i>Fundamentals of Strategy</i>	xii
Getting the most from <i>Fundamentals of Strategy</i>	xiii
Guided tour	xvi

1 INTRODUCING STRATEGY	1
Learning outcomes	1
Key terms	1
1.1 Introduction	2
1.2 What is strategy?	2
1.2.1 Defining strategy	2
1.2.2 Levels of strategy	6
1.2.3 Strategy statements	7
1.3 The <i>Exploring Strategy</i> Model	9
1.3.1 Strategic position	10
1.3.2 Strategic choices	11
1.3.3 Strategy in action	12
1.4 Strategy development processes	13
Summary	14
Video assignments	15
Recommended key readings	15
References	15
Case example: Glastonbury: from hippy weekend to international festival	16
2 THE ENVIRONMENT	20
Learning outcomes	20
Key terms	20
2.1 Introduction	21
2.2 The macro-environment	22
2.2.1 The PESTEL framework	22
2.2.2 Building scenarios	25
2.3 Industries and sectors	27
2.3.1 Competitive forces – the Five Forces Framework	28
2.3.2 Complementors and industry life cycles	33
2.4 Competitors and markets	37
2.4.1 Strategic groups	37
2.4.2 Market segments	39
2.4.3 Competitor analysis and ‘Blue Oceans’	39

2.5 Opportunities and threats	41
Summary	42
Video assignments	42
Recommended key readings	42
References	43
Case example: Global forces and the advertising industry	44
3 STRATEGIC CAPABILITIES	48
Learning outcomes	48
Key terms	48
3.1 Introduction	49
3.2 Foundations of strategic capability	50
3.2.1 Resources and competences	50
3.2.2 Dynamic capabilities	51
3.2.3 Threshold and distinctive capabilities	53
3.3 'VRIO' strategic capabilities as a basis of competitive advantage	54
3.3.1 V – value of strategic capabilities	55
3.3.2 R – rarity	56
3.3.3 I – inimitability	56
3.3.4 O – organisational support	59
3.4 Diagnosing strategic capabilities	59
3.4.1 The value chain and value system	60
3.4.2 Activity systems	65
3.4.3 SWOT	65
Summary	70
Video assignments	71
Recommended key readings	71
References	71
Case example: Rocket Internet – will the copycat be imitated?	74
4 STRATEGIC PURPOSE	77
Learning outcomes	77
Key terms	77
4.1 Introduction	78
4.2 Mission, vision, values and objectives	79
4.3 Owners and managers	82
4.3.1 Ownership models	82
4.3.2 Corporate governance	84
4.3.3 Different governance models	85
4.4 Stakeholder expectations	87
4.4.1 Stakeholder groups	88
4.4.2 Stakeholder mapping	89

4.5	Corporate social responsibility	92
4.6	Cultural influences	94
4.6.1	Geographically based cultures	94
4.6.2	Organisational culture	94
4.6.3	Organisational subcultures	95
4.6.4	Culture's influence on strategy	95
4.6.5	Analysing culture: the cultural web	96
	Summary	100
	Video assignments	100
	Recommended key readings	101
	References	101
	Case example: Bonuses and 'gaming' at Barclays Bank	102

5 BUSINESS STRATEGY 105

	Learning outcomes	105
	Key terms	105
5.1	Introduction	106
5.2	Generic competitive strategies	107
5.2.1	Cost leadership	108
5.2.2	Differentiation strategies	112
5.2.3	Focus strategies	113
5.2.4	'Stuck in the middle'?	114
5.2.5	The Strategy Clock	116
5.3	Interactive strategies	118
5.3.1	Interactive price and quality strategies	118
5.3.2	Cooperative strategy	121
	Summary	123
	Video assignments	124
	Recommended key readings	124
	References	124
	Case example: The IKEA approach	125

6 CORPORATE STRATEGY AND DIVERSIFICATION 129

	Learning outcomes	129
	Key terms	129
6.1	Introduction	130
6.2	Strategy directions	131
6.2.1	Market penetration	132
6.2.2	Product development	134
6.2.3	Market development	134
6.2.4	Conglomerate diversification	135
6.3	Diversification drivers	135

6.4	Vertical integration	137
6.4.1	Forward and backward integration	137
6.4.2	To integrate or to outsource?	139
6.5	Value creation and the corporate parent	141
6.5.1	Value-adding and value-destroying activities of corporate parents	141
6.5.2	The portfolio manager	143
6.5.3	The synergy manager	144
6.5.4	The parental developer	144
6.6	The BCG (or growth/share) matrix	146
	Summary	149
	Video assignments	149
	Recommended key readings	150
	References	150
	Case example: Strategic development at Virgin 2013	151

7 INTERNATIONAL STRATEGY 156

	Learning outcomes	156
	Key terms	156
7.1	Introduction	157
7.2	Internationalisation drivers	158
7.3	Geographic sources of advantage	162
7.3.1	Locational advantage: Porter's Diamond	162
7.3.2	The international value system	164
7.4	International strategies	166
7.5	Market selection and entry	169
7.5.1	Market characteristics	169
7.5.2	Competitive characteristics	173
7.5.3	Entry modes	174
	Summary	176
	Video assignments	177
	Recommended key readings	177
	References	177
	Case example: China comes to Hollywood: Wanda's acquisition of AMC	179

8 INNOVATION AND ENTREPRENEURSHIP 182

	Learning outcomes	182
	Key terms	182
8.1	Introduction	183
8.2	Innovation sources	184
8.2.1	Technology push or market pull	184
8.2.2	Product or process innovation	186
8.2.3	Open or closed innovation	187
8.2.4	Technological or business-model innovation	188

8.3	Innovation diffusion	190
8.3.1	The pace of diffusion	190
8.3.2	The diffusion S-curve	191
8.4	Innovators and followers	193
8.4.1	First-mover advantages and disadvantages	193
8.4.2	First or second?	193
8.4.3	The incumbent's response	194
8.5	Entrepreneurial strategy	198
8.5.1	Stages of entrepreneurial growth	198
8.5.2	Entrepreneurial strategies	199
	Summary	202
	Video assignments	202
	Recommended key readings	202
	References	203
	Case example: Rovio Entertainment: Disney of the smart phone age?	204
9	MERGERS, ACQUISITIONS AND ALLIANCES	207
	Learning outcomes	207
	Key terms	207
9.1	Introduction	208
9.2	Organic development	208
9.3	Mergers and acquisitions	210
9.3.1	Types of mergers and acquisitions	210
9.3.2	Motives for mergers and acquisitions	210
9.3.3	M&A processes	213
9.4	Strategic alliances	218
9.4.1	Types of strategic alliance	218
9.4.2	Motives for alliances	220
9.4.3	Strategic alliance processes	222
	Summary	226
	Video assignments	226
	Recommended key readings	226
	References	226
	Case example: 'Final Fantasy'? Acquisitions and alliances in electronic games	228
10	STRATEGY IN ACTION	231
	Learning outcomes	231
	Key terms	231
10.1	Introduction	232
10.2	Structural types	233
10.2.1	The functional structure	233
10.2.2	The divisional structure	235
10.2.3	The matrix structure	236

10.3	Systems	238
10.3.1	Planning systems	238
10.3.2	Cultural systems	239
10.3.3	Performance targeting systems	240
10.4	Organisational configuration: The McKinsey 7-S framework	242
10.5	Leading strategic change	243
10.5.1	Strategic leadership roles	244
10.5.2	Leadership styles	245
10.5.3	Types of strategic change	247
10.5.4	Identifying levers for change: forcefield analysis	252
	Summary	254
	Video assignments	254
	Recommended key readings	255
	References	255
	Case example: Sergio Marchionne: leading change in Fiat and Chrysler	256

APPENDIX: EVALUATING STRATEGIES **259**

	Introduction	259
	Organisational performance	259
	Evaluation Criteria: Suitability, Acceptability, Feasibility	261

	Glossary	266
	Index of names	270
	General index	273
	Publisher's acknowledgements	282