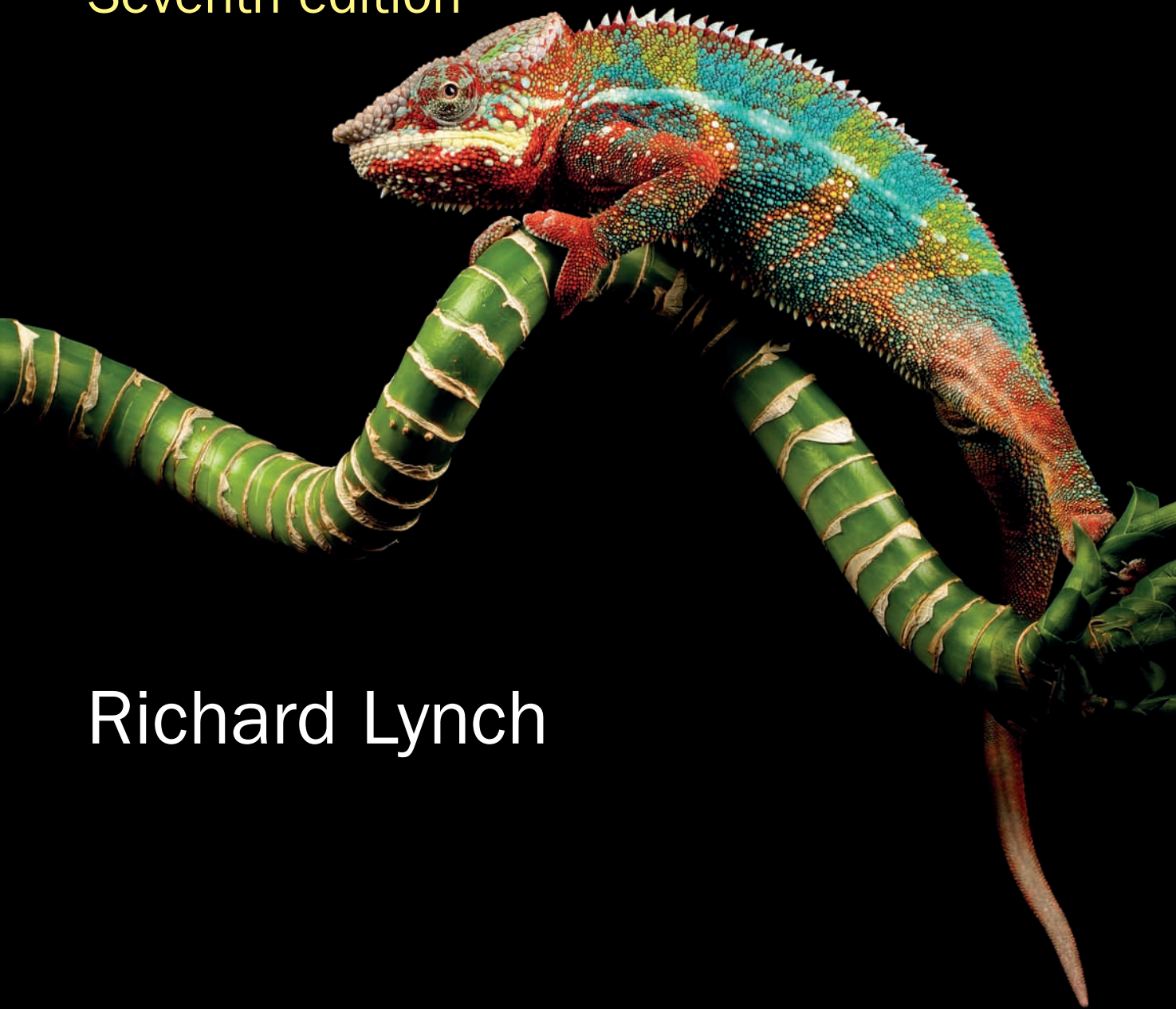


Strategic Management

Seventh edition

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Strategic Management

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Strategic Management

Seventh Edition

Richard Lynch



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Supporting resources

Visit www.pearsoned.co.uk/lynch to find valuable online resources

Companion Website for students

- Video summaries of each chapter
- Videos to accompany the long case studies
- Additional material, including further cases studies, questions and checklists, to expand your knowledge and aid your understanding
- Case Study Guide offering help with reading, analysing and presenting cases
- A searchable online glossary to explain key terms

For instructors

- Complete, downloadable Instructor's Manual, including teaching notes on the book and the case studies
- A bank of additional case studies from the previous edition of the book
- PowerPoint slides that can be downloaded and used as OHTs

For more information please contact your local Pearson Education sales consultant or visit www.pearsoned.co.uk/lynch

ABOUT THE SEVENTH EDITION

Given that the topic of strategic management focuses essentially on developing and implementing the future direction of organisations, every edition of this text must reflect both the fundamentals of the subject and the new challenges that face organisations at any point in time. This new, seventh edition of *Strategic Management* therefore balances the basic concepts for identifying the future of organisations with the new challenges and opportunities that may lead to substantial change. It therefore explores new topics such as the significant changes in social internet media, the fundamentals of green strategy and the opportunities and problems of the global economy within the context of a structured and critical approach to the essential elements of strategic management.

The underlying theme remains the need to consider not only the *rational approach* to strategic decision making, but also the *creative aspects* of such decisions – an approach that remains unique to this strategy text. The book argues that both of these approaches are essential to enable students and practising managers to develop effective strategies. This two-pronged approach is entirely consistent with the survey amongst strategy academics conducted for the *Strategic Management Journal* published in 2007.¹

In addition, the seventh edition presents three new areas of the topic:

- 1 Two new chapters, the first on sustainability and green strategy and the second on business models, to present new academic thinking in these areas.
- 2 Major updates to the case material that explore the shifting economic fortunes of companies around the world, the rise of the developing nations and the rapid changes in communications and other technologies.
- 3 Additional online and open-source teaching support material for both students and their professors.

These three areas are explained in more depth later in this section.

OBJECTIVES

The purpose of the book is to provide a comprehensive, well-structured and leading-edge treatment of strategic management, covering organisations in both the private and public sectors. The text has been specially designed in a modular format to provide both a summary of the main areas and a more detailed treatment for those wishing to explore issues in more depth.

More specifically, the objectives are:

- *To provide a comprehensive coverage of the main study areas in strategic management.* For example, it explores important subject areas such as innovation, knowledge and technology strategy.
- *To present the practical issues and problems of strategic management, so that the compromises and constraints of real organisations are considered.* Each chapter contains case studies which both illustrate the principles and raise subjects for group and class discussion. Objective-setting, green strategy and corporate governance are amongst the topics explored.

¹ Nag, R, Hambrick, D C and Chen, M-J (2007) 'What is strategic management really? Inductive derivation of a consensus definition of the field', *Strategic Management Journal*, Vol 28, pp 935–955.

- *To assist organisations to add value to their assets through the development of effective strategic management.* The search for best practice in the context of the organisation's resources and constraints is a constant theme.
- *To explore both the rational and the creative approaches to the development of strategic management.* This text takes the view that the classical approaches to rational corporate strategy development need to be complemented by ideas based on crafting strategy development. For example, entrepreneurship and learning processes are covered in depth.
- *To stimulate critical appraisal of the major theories,* particularly with regard to their practical application in organisations. Many of the leading conceptual approaches are first described and then subjected to critical comment. The aim is to encourage the reader to think carefully about such matters.
- *To outline the international implications of the strategic management process.* Most of the cases have an international dimension. A special chapter on international and global strategy explores the specific issues raised by this strategic area.
- *To explore the application of strategic theory to new areas.* In addition to the well-received chapters on leadership, entrepreneurial strategy and public sector strategy, wholly new chapters have been developed on green strategy and business models. In addition, many of the cases have been revised to reflect radical shifts in the world economy and in new technology.

WHO SHOULD USE THIS BOOK?

The book is intended to provide an introduction to strategic management for the many students in this area.

- *Undergraduate students* on Business Studies, modular and other courses will find the subject matter sufficiently structured to provide a route through the subject. No prior knowledge is assumed.
- *MBA students* will find the practical discussions and theoretical background useful. They will also be able to relate these to their own experience.
- *Postgraduate students* on other specialist taught masters' programmes will find that the extensive coverage of theories and, at times, critical comment, together with the background reading, provide a useful input to their thinking.

In addition, the book will appeal to practising middle and senior managers involved in the development of strategic management. The case studies and checklists, the structured approach and the comprehensive nature of the text will provide a useful compendium for practical application.

DISTINCTIVE FEATURES

Two-model structure

For some years, there was disagreement on the approach to be adopted in studying strategic management. The *rational* model – strategy options, selection and implementation – was criticised by those favouring an approach based on the more *creative* aspects of strategy development. Given the lack of agreement between the approaches, *both* models are presented throughout this book. Both models contribute to the development of effective strategy: two sides of the same strategic coin. According to a 2007 survey, this dual approach has now become accepted amongst leading academics in the field.

Clear chapter structure

Each chapter follows the same format: learning outcomes; short introduction; opening case study; later case studies linked to the theory points in the text; a specific project linked with one of the case

studies; regular summaries of key strategic principles; chapter summary; review and discussion questions; critical reflection on a key issue in the chapter; recommended further reading; detailed notes and references. There is also a glossary of terms at the end of the book as an aid to comprehension. Finally, the book has a selection of strategy cases at the end of the text to stimulate broader strategic debate.

New open-access web videos, strategy cases and support material

After the change to open access for the sixth edition of this text, all the web material for seventh edition remains open-access. Earlier editions required an access code to read the support material for the text. This radical shift in publishing strategy recognises that technology has changed and influenced the way that students learn about strategic management. In addition, considerable extra video and written material has been added to provide additional support for the book. However, most of this extra material is best understood in the context of the chapters to which it relates.

Given the great success of the extended case video ‘Battle for the European Breakfast Cereal Market’, this has been retained for the seventh edition but is available free on the web. The film uses an in-depth case study to explore the main areas of strategy and show how they link together. Strategy is a complex topic with many different approaches – the aim of the web film is to show one way that the strategic decision-making process can be developed from the available data. The website icon (left) appears in the margin to highlight where the book and website content link.



In addition, there are video summaries for each chapter of the book as well as video summaries of the longer cases at the end of the text. Again, these are all open-access from the book’s website: www.pearsoned.co.uk/lynch.

The website also contains two more areas of support material. First, there are additional explanations and checklists of strategic management material that complement the basic text itself. Second, there are additional cases that contain not only the main case material but also indicative answers to some of the case questions. Importantly, ‘indicative answers’ means that these are only examples of answers to the case questions: many other responses are possible.

Two new chapters: green strategy and business models

Although the sixth edition covered green strategy for the first time in a strategy textbook, it was simply treated as a part of each relevant chapter. Part of the reason for this approach was that the topic had only received limited coverage in the leading strategy research journals up to that time. It has now been explored in sufficient depth to justify a separate chapter. In addition, many businesses now highlight this topic as a significant part of their strategies. To emphasise the importance and relevance of green strategy to strategic thinking, the green strategy icon (left) appears in the margin to highlight these issues.



In addition, both individual companies and the business press have made increased reference to the ‘business model’ of a company. This has been accompanied by some new academic thinking on the topic that deserves to be more widely studied. Hence, for the first time in a strategy textbook, there is a separate chapter on this topic.

Focused case material plus longer cases at the end of the text

There are 68 shorter case studies in this book with 14 longer, more integrative cases at the end of the text. The shorter cases have been written or adapted to explore strategy issues relevant to their location in the text. The shorter cases have been especially designed for the larger class sizes and shorter discussion sessions now prevalent in many institutions. Fifteen cases have been updated for the seventh edition and 12 are either completely new or radically updated. Most of the 14 cases at the end of the text are either new or substantially updated. Previous cases are still available via www.pearsoned.co.uk/lynch. The 14 longer cases are summarised in video case films available free on the book’s website.

Key strategic principles and chapter summaries

To aid learning and comprehension, there are frequent summaries of the main learning points under the heading of *key strategic principles*. In addition, at the end of each chapter there is an integrated summary of the areas explored.

International coverage

There is extensive coverage of international strategic issues throughout the book with cases and examples threaded through the text covering many well-known European and American companies. The book now has cases covering China, Africa and India, North Africa and the Eastern Mediterranean (excluding Israel) and, for the first time, Russia. In addition, there is a separate chapter on the special issues involved in international and global strategy.

Public sector and not-for-profit strategy

After the widespread welcome for the new (and unique) chapter on public sector strategy in earlier editions, this has been retained in the seventh edition. *Strategic management* principles have been historically developed almost exclusively from a business perspective – for example, competitive advantage, customer-driven strategy and corporate governance. *Public sector* theory has historically had a completely different intellectual foundation – for example, the concepts of the public interest, the legal framework of the state and the role of public administrators. This chapter explores how they can come together. It will be particularly relevant to managers from the public sector studying for a business degree at both undergraduate and postgraduate level.

Entrepreneurial strategy

Ever since its first edition, this text has always placed strong emphasis on creativity in strategy development. The recent increased research emphasis on entrepreneurial strategy has now prompted this important chapter. It explores in particular the personal aspects of effective entrepreneurial strategy.

Critical reflection and recommended further reading

Every chapter ends with a short critical reflection on a key topic in the chapter. In addition, each chapter has a list of recommended further readings. The purpose is to allow the student to debate a topic from the chapter and to explore the subject matter further as the basis for further projects, assignments and dissertations.

Strategic project

Some, but not all, chapters include at least one suggestion for a strategic project. It is linked to a case study in the chapter and shows how the case topic might be extended. The projects are supported by further information available on the internet.



A useful feature of the text remains the selection of some case material from the *Financial Times*. These extracts are the copyright of the *Financial Times*, which has kindly given permission to reproduce them in this book.

Lecturer's guide

This is available to those professors adopting this textbook. It includes short commentaries on each chapter and comments on the cases, together with OHP masters.

NEW FOR THE SEVENTH EDITION

As a result of the helpful feedback on the six earlier editions, this new edition has some new material while maintaining the main topics of previous editions. The key changes are in three areas – two new chapters, new case material and new open-access material.

Two new chapters

As outlined earlier, the seventh edition has two new chapters: the first explores ‘Green strategy and sustainability’; the second covers ‘Strategy and business models.’ In addition, *all* the company cases in the seventh edition have been scrutinised with regard to their green strategies with a brief comment or description at the end of each case on the relevant company strategies.

New case material

Except for a few classic, popular cases, many of the cases in the seventh edition have been updated. Twenty-seven cases are either totally new or substantially updated. In addition to the existing broad range of cases from European and North American companies, there is increased geographic coverage from the new and growing parts of the world: there are now two cases each from China, Africa and India. There are also three cases from North Africa and the Eastern Mediterranean and, for the first time, a case from the Russian Federation.

Video films, podcast material and ready-to-use PowerPoint material have also been developed further for this new edition. They are all downloadable from the book’s open-access website.

All the cases have teaching notes in the *Lecturer’s Guide* and any that have been dropped from the previous edition appear on the *Strategic Management* website.

The longer cases at the end of the book are summarised with short video films that can be downloaded from the book’s open-access website. These short films can be used to introduce class discussion of the cases and to identify key strategic issues.

New and open-access material

- Video summaries of each chapter plus summaries of the long cases at the end of the text.
- Extensive, additional web-based strategic management material and checklists. These are linked to specific topics throughout the text.
- Web-based cases with indicative answers.

In addition, some parts of several chapters have been re-drafted and updated.

Front cover – why a chameleon?

As all good students and managers know, the chameleon is adaptable just like the best strategy. Many chameleons can change colour depending on the context of their environment: this is a characteristic shared with the best prescriptive and emergent approaches to strategic management. Moreover, such creatures represent a link with a natural world that needs to be protected by the new greener strategies adopted by the best organisations.

ABOUT THE AUTHOR

Richard Lynch is Emeritus Professor of Strategic Management at Middlesex University, London, England. He originally studied at UMIST, Leeds University and the London Business School. He then spent over 20 years in business with well-known companies such as J Walter Thompson, Kraft

Jacobs Suchard and Dalgety Spillers in positions in marketing and strategic management. During the early 1980s, he was a director of two public companies before setting up his own consultancy company specialising in European and international strategy. In the 1990s he became increasingly involved in Higher Education, eventually taking a full-time professorship in 1998. He retired from his full-time post in December 2004 but remains highly active in teaching, research and writing including work at Trinity College Dublin, Ireland, the School of Economics and Management at Wuhan University, China and Politecnico di Milano, Italy. He has written four previous books on international marketing and strategy as well as a number of original research papers with colleagues for various academic journals and research conferences. His current research interests include projects on global branding and global strategy particularly with regard to companies from emerging

countries like China and India.

HOW TO USE THIS BOOK

Strategic management is complicated because there is no final agreement on what exactly should be included in the topic. There are two main strategic approaches worth mastering before venturing too far into the text. They are summarised in Chapter 1 – the *prescriptive* and the *emergent* strategic approaches. Since these approaches are discussed extensively later in the book, they should be studied in Chapter 1 before moving on to other chapters. If you have trouble understanding these two elements, then you might also like to consult the early part of Chapter 2, which investigates them in more detail.

Each chapter then follows the same basic format:

- *Learning outcomes and introduction.* This summarises the main areas to be covered in the chapter and is useful as a summary of what to expect from the chapter.
- *Opening case.* This is designed to highlight a key strategy issue in the chapter and to provide an example that will then be explored in the text. It is therefore worth reading and using the case questions to ensure that you have understood the basics of the case. You can return to it once you have read the chapter.
- *Key strategic principles.* Each chapter then explores aspects of the subject and summarises them. These can be used to test your understanding of the text and also for revision purposes later.
- *Comment.* After the outline of a major strategic theory, there may be a section with this heading to explain some of the theoretical or practical difficulties associated with that topic. The opinions contained in such a section are deliberately designed to be controversial. The section is meant to make you think about the topic. If you agree with everything I have written, then I have failed!
- *Later case studies.* These are designed to provide further examples and raise additional strategic issues. It is worth exploring the questions.
- *Strategic project.* For some of the cases, one of the case studies has been used to suggest a broader strategic project. There is data on the internet to assist the process and your lecturer or tutor will suggest how you can access this.
- *Critical reflection.* Each chapter ends with a short section highlighting a key theme of the chapter as the basis for further discussion and exploration. For example, it might form the basis of an essay on a strategy topic or the focus of a seminar after a class lecture.
- *End of chapter questions.* Some are designed to test your understanding of the material in the chapter. Others are present as possible essay topics and require you to undertake some research using the references and reading from the chapter. Some questions have been developed to encourage you to relate the chapter to your own experience: student societies and outside organisations to which you belong can all be considered using the chapter concepts. You may also be able to relate the chapter to your own work experience or to those of other members of your family or friends. All these will provide valuable insights and help you explore the concepts and reality of corporate strategy.
- *Further reading.* This is designed to help when it comes to essay topics and dissertations. This section tries to keep to references in the major journals and books in order to make the process as accessible as possible.

GUIDED TOUR

Two-model structure – two models of strategic management thought are used throughout this book – *prescriptive* and *emergent*. Both are treated as contributing to the development of optimal strategic management.

Case studies – are woven into each chapter and referred to frequently in order to illustrate how strategic principles do and don't work in practice. There are more than 80 case studies throughout the book and many are new and updated. For ease of reference, see the Guide to the main focus of case studies on page xxii.

Key strategic principles – at regular intervals, frequent summaries are given of the main learning points.

Icons indicate where there is additional material to be found on the website.

Definition ▶

1 *The prescriptive approach.* Some commentators have judged strategic management to be essentially a linear and rational process, starting with where-we-are-now and then developing new strategies for the future (see Jauch and Glueck²⁵ and Argenti²⁶). **A prescriptive strategy is one whose objective has been defined in advance and whose main elements have been developed before the strategy commences.**

Definition ▶

2 *The emergent approach.* Other commentators take the view that strategic management emerges, adapting to human needs and continuing to develop over time. It is evolving, incremental and continuous, and therefore cannot be easily or usefully summarised in a plan which then requires to be implemented (see Mintzberg²⁷ and Cyert and March²⁸). **An emergent strategy is one whose final objective is unclear and whose elements are developed during the course of its life, as the strategy proceeds.** The theorists of this approach often argue that long-term prescriptive strategies are of limited value.

In Chapter 2 we examine these important differences in more detail. There are, for example, differences in approach even amongst those who judge that the process is rational and linear. Mintzberg²⁹ captured the essence of the distinction:

CASE STUDY 3.1

The rise and fall of Blockbuster video stores

The Blockbuster video store chain was the subject of an \$8.4 billion takeover in 1994. Twenty years later, the business was just a memory. Why? What are the implications for analysing the strategic environment?



By 2014, Blockbuster stores were just empty shells, the victim of technology change and questionable strategy
Photo courtesy of Steve Corbett

Background

Back in 1994, the Blockbuster video store chain was a fast-growing group of retail stores that hired out video films. It had

that were rented over night by customers to play on their home video recorders and then return the following day. The company had special contracts with the major film companies to ensure that it was able to stock the latest films soon after showing in cinemas. It kept 60 per cent of the rental income and passed the other 40 per cent back to the film studios: a viable business model at that time.

Blockbuster takeover

In 1994, the US media conglomerate Viacom acquired Blockbuster for \$8.4 billion. Viacom was partially interested in Blockbuster's \$1.5 billion cash which it needed for another acquisition, Paramount Pictures. It was also possible that it over-valued Blockbuster even at that time because the Blockbuster profits were much lower in the year after its sale. But Viacom continued to invest in the store chain over the next ten years. In addition, there were reported to be synergies from the purchase that would benefit both companies. They would come from cross-marketing Viacom's MTV television channels with Blockbuster and from selling

KEY STRATEGIC PRINCIPLES

- Environmental analysis is important because it helps in developing sustainable competitive advantage, identifies opportunities and threats and may provide opportunities for productive co-operation with other organisations.
- There are three difficulties in studying the environment: the use to which the analysis will be put; uncertainty in the topic; coping with the wide range of environmental influences.
- Environmental analysis can be used to provide a proactive strategy outcome or highlight a reactive strategic situation that will need to be monitored.

3.2 STRATEGIC ENVIRONMENT - THE BASICS

In order to begin the environmental analysis, it is useful to start with some basic factors that are sometimes forgotten in the academic concepts but contribute to the strategic analysis of the environment.⁴ We can divide the basics into three areas:

- 1 Market definition and size
- 2 Market growth
- 3 Market share



Video Part 4a

Strategic projects – some chapters include a suggestion for a strategic project, based on a theme developed within the cases in the chapter and offering you the chance to delve a bit deeper.

STRATEGIC PROJECT

McDonald's has gained some ground from its new ranges. Where does it go from here? Should it revert to the previous strategy of acquiring alternative restaurant chains? If so, which chains? If not, then just how much further growth is there in the concept of fast food? This is a real strategic problem for a company whose shareholders demand continued profitable growth. Perhaps the company should try a completely new approach? In addition to looking at greater depth at McDonald's, it would be interesting to examine some alternatives such as Subway described in Chapter 2. There are websites for both these companies. You might like to consider two further trends. These are green strategy issues and better nutritional content: McDonald's has faced some strong adverse criticism on both these matters in recent years. Yet the company would argue that it has made genuine progress to improve its performance. Perhaps it could be even more proactive with regard to green strategies and nutritional matters?

Critical reflections – every chapter ends with a short critical reflection on a key topic in that chapter.

CRITICAL REFLECTION

Is purpose over-complicated?

This chapter has argued that strategic purpose is complex and multifaceted. It needs to take into account such matters as leadership, corporate governance, ethics and corporate social responsibility. The problem is that all this makes purpose difficult to analyse, define and communicate to employees, managers, shareholders and other stakeholders. Moreover, there is no clear logical path to the development of purpose, with vague areas like 'managerial judgement' being used to justify particular goals.

Given these definitional and logical difficulties, perhaps it would be much better to simplify matters and focus on one area such as maximising profits? Or maximising shareholder wealth? Or even maximising the organisation's contribution to society after paying shareholders a minimum dividend? Is there any merit in purpose being complex and multifaceted?

Chapter summaries – recap and reinforce the key points in each chapter succinctly.

SUMMARY

- Fundamental to the exploration of purpose is the definition of the organisation's activities. It needs to be narrow enough to be actionable and broad enough to allow scope for development. It will develop from a consideration of the organisation's customers and its competitive resources. Purpose will also be defined by any specific desire to grow the organisation and by an exploration of the demands of the environment in which the organisation exists.
- Organisations are multidimensional and unlikely to have a single purpose. However, for reasons of focusing on specific objectives and communicating with those in the organisation, a simplified definition of purpose is often developed. The polygon of purpose captures the many factors that will need to be taken into account in developing and defining the purpose of the organisation. Green strategy issues will be present in a number of elements, rather than be identified as one separate element.
- Stakeholders are the individuals and groups who have an interest in the organisation. Consequently, they may wish to influence its mission and objectives. The key issue with regard to stakeholders is that the organisation needs to take them into account in formulating its mission and objectives. The difficulty is that stakeholder interests may conflict. Consequently, the organisation will need to resolve which stakeholders have priority: *stakeholder power* needs to be analysed. Where conflict exists, negotiations are undertaken to reach a compromise.
- The *mission* of an organisation outlines the broad directions that it should and will follow and briefly summarises the reasoning and values that lie behind it. The *objectives* are then a more specific commitment consistent with the mission over a specified time period. They may be quantified, but this may be inappropriate in some circumstances.
- Corporate governance refers to the influence and power of the stakeholders to control the strategic direction of the organisation in general and, more specifically, the chief executive and other senior officers of the organisation. Corporate governance relates primarily to the selection, remuneration and conduct of the senior officers of the organisation. It is also concerned about their

End-of-chapter **Questions** – test your understanding of the key issues raised in each chapter.

QUESTIONS

- 1 Take an organisation with which you are familiar and attempt to define its purpose: how has this been influenced by the factors outlined in Section 6.1, including its environment, resources, culture and stakeholders? How has the purpose changed over time? Why have these changes occurred?
- 2 In 2013, Yahoo! claimed that its vision of the future was that of 'a global technology company focused on making the world's daily habits inspiring and entertaining.' Use the classification developed by Hamel and Prahalad to evaluate this vision critically (see Section 6.2).
- 3 Can *organisations* have vision or is it the *managers* inside the organisation who have the vision? What are the implications of your answer for the development of strategy, especially in terms of communication within the organisation?
- 4 Do companies always need to behave ethically, regardless of the costs?
- 5 Should 'green' environmental issues form part of the corporate social responsibility of a business? How, if at all, will your answer impact on the strategy of the business?
- 6 How is corporate governance related to strategic management? What systems, if any, does McDonald's need to put in place to ensure compliance with corporate governance issues? Use the example of Citibank to assist you.
- 7 Take an organisation with which you are familiar and assess the information that it supplies to its stakeholders in terms of corporate governance issues. Is it doing a good job by its own standards and by the likely standards of its stakeholders?
- 8

Recommended **Further reading** – allows students to explore the subject further, providing an ideal basis for essays and assignments.

FURTHER READING

On purpose: read Drucker, P (1961) *Practice of Management*, Mercury, London. For a more recent review of mission and goal literature, see the early part of Slater, S, Olsen, E and Hult, T (2006) 'The moderating influence of strategic orientation on the strategy formation capability–performance relationship', *Strategic Management Journal*, Vol 27, pp 1221–1231.

On vision: see Tregoe, B B *et al.* (1989) *Vision in Action*, Simon & Schuster, London. See also Hamel, G and Prahalad, C K (1994) *Competing for the Future*, Harvard Business School Press, Boston, MA. Both books are at the practical end of the subject.

On leadership: Bennis, W and Nanus, B (1997) *Leaders: Strategies for Taking Charge*, HarperCollins, New York is a readable text with some useful insights. See also the special issue of *Academy of Management Executive* (2004) Vol 18, No 3, pp 118–142, on leadership including: Conger, J A, 'Developing leadership capability: What's inside the black box?'

On ethical issues: a good basic text is Chryssides, G D and Kaler, J H (1993) *An Introduction to Business Ethics*, International Thomson Business Press, London. The special issue of *Academy of Management Executive* (2004) Ethical Behavior in Management,

pp 37–91 with guest editor John F Veign constitutes a substantial review with thoughtful papers on various current topics. There was also a special issue on the same topic in *Academy of Management Learning and Education*, September 2006, Vol 5, Issue 3 co-editors Robert Giacalone and Kenneth R Thompson that will provide more discussion.

For a more general and critical commentary on ethics and management theory including a critique of shareholder theory, you should read the late Professor Sumantra Ghoshal's paper written in 2005, 'Bad Management Theories are Destroying Good Management Practices', *Academy of Management Learning and Education*, Vol 4, No 1, pp 75–91. Not a 'difficult' paper to understand and containing some profound and well-argued positions.

On corporate social responsibility a more recent accessible paper is that by Basu, K and Palazzo, G (2008) 'Corporate Social Responsibility, A Process Model of Sensemaking', *Academy of Management Review*, Vol 33, pp 123–136. This paper has a useful summary of recent research literature and would make a good start for project work.

Longer case studies at the back of the book enable students to further explore the link between theory and practice by analysing the strategic issues of particular organisations in much greater depth.

CASE STUDY 2

Global beer and lager: exploring strategies in a mature market

Although the annual global market for beer was massive in 2013, it was only growing slowly at just around 3 per cent per year. Moreover, it was dominated by four companies with a combined market share of over 50 per cent. These are all characteristics of a mature market. What are the best strategies for companies in such markets?



Video and sound summary of this case

Consolidation in world beer markets – size, growth and share

The world market for beers and lagers was valued at a massive \$140–210 billion in 2012. Customers worldwide consumed 2,000 million hectolitres of beer and lager. The leading countries by production are shown in Figure 1: apart from German exports, beer is mostly consumed in the home country. It will be self-evident why the world's largest brewers have all been targeting the Chinese market over the past few years. The problem with the Chinese market is that profit margins are very low because beer is relatively cheap.

Over the 13 years to 2013, global beer markets followed a consolidation strategy. The number of independent brewing companies reduced and their share of the total market grew. The world's five largest brewers accounted for 19 per cent of sales in year 2000. Twelve years later, the world's four largest brewers accounted for 50 per cent of world sales and 75 per cent of global profits. The fifth brewer, the UK-based Scottish and Newcastle, was finally acquired and broken up by two of the other four in 2009. The consolidation strategy is typical of mature markets where a few firms come to dominate an industry and consolidate their market shares by acquisition and merger.



World beer markets are becoming increasingly competitive with companies developing differing strategies for different parts of the world.

In the nine years 2005 to 2013, compound annual growth in beer sales worldwide was around 3 per cent. But this masked a decline in developed world markets of minus 3.5 per cent and a growth in developing markets of plus 7 per cent. The

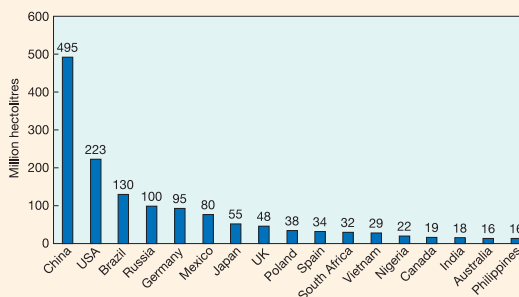


Figure 1 World beer production in 20 leading countries in 2012
Source: author from various industry estimates.

Page	CASES WITHIN THE CHAPTERS	Main area/ country						Topic or theme													
		Global	UK	European Asia/Pacific	USA	African	Emergent/prescriptive process	Competitive environment	Competitive resources	Culture and leadership	Developing purpose	Governance and social responsibility	Strategic options	International and global strategy	Corporate-level strategy	Acquisitions and alliances	Learning and knowledge	Managing change	Public and not-for-profit	SMEs and entrepreneurship	Green strategy
303	9.1	Corporate strategy at two multinationals – General Electric (USA) and Siemens (Germany)		◆	◆	◆				✓	✓	✓	✓	✓							
313	9.2	The rise and fall of Nokia		◆	◆				✓	✓	✓	✓	✓				✓				
322	9.3	Unilever: can product portfolio strategies help large corporations to grow?		◆	◆					✓	✓		✓								
333	10.1	Unilever ice cream defends its global market share		◆	◆				✓	✓		✓	✓								
341	10.2	Eurofreeze evaluates its strategy options: Part 1			◆						✓	✓									
353	10.3	Global ice cream: Nestlé goes on the attack		◆	◆			✓	✓	✓			✓		✓						
360	10.4	Eurofreeze evaluates its strategy options: Part 2			◆								✓								
369	11.1	How Honda came to dominate two major motorcycle markets				◆		✓			✓						✓				
373	11.2	Europe's leading telecom companies: how to dial up new demand?			◆			✓			✓	✓	✓	✓	✓	✓	✓				
381	11.3	Buying travel online: choosing a strategy for the internet age		◆				✓			✓	✓	✓	✓	✓	✓	✓				
402	12.1	PepsiCo: organising to integrate its acquisitions		◆			◆							✓			✓				
416	12.2	Royal Dutch/Shell – what does it take to bring change?		◆	◆					✓	✓	✓		✓			✓				
426	12.3	How ABB empowered its managers and then reversed the process		◆	◆					✓		✓						✓			
440	13.1	European football: bad strategy? Or bad implementation?		◆	◆					✓								✓			
449	13.2	Strategic planning at Canon with a co-operative corporate style				◆								✓		✓	✓				
453	13.3	Informal strategic controls at Nestlé		◆						✓				✓			✓				
463	13.4	Prescriptive strategic planning at Spillers in the late 1970s			◆				✓				✓	✓							
472	14.1	Prescriptive and emergent strategies: profits from the sun, wind and sea? Even from nuclear energy?		◆	◆				✓	✓	✓							✓		✓	
483	14.2	Green strategy; two problems with solar power				◆		✓	✓						✓			✓		✓	✓
491	14.3	Green strategy in the world car industry: who makes the rules?				◆		✓	✓						✓			✓		✓	✓
498	15.1	Strategic change at Nokia: the 'Doomsday Memo'		◆						✓				✓			✓				
506	15.2	Counting on Carly		◆			◆			✓							✓				
516	15.3	Risky strategic change at EMI?		◆	◆					✓				✓			✓				
532	16.1	How Anne Mulcahy rescued Xerox		◆			◆			✓		✓						✓			
539	16.2	Ford Motors: strategy, leadership and strategic change		◆			◆		✓	✓	✓							✓			
546	16.3	Daimler: how three leaders influenced strategy		◆	◆				✓	✓	✓							✓			
557	17.1	Chocolate maker savours its sweet desserts			◆												✓			✓	
565	17.2	Strategy lessons from three entrepreneurs – Bill Gates, Luke Johnson and John Caudwell			◆	◆		✓		✓							✓				
571	17.3	Entrepreneurs pioneer a zero carbon house		◆	◆								✓			✓		✓		✓	✓
581	18.1	Public sector strategy: how Galileo ended up in serious trouble		◆						✓		✓						✓			
594	18.2	Windfarm or wildlife? A public interest dilemma for green strategy		◆	◆													✓		✓	✓
602	18.3	'Should we close the Kings Theatre?' A tough strategic decision for Portsmouth City Council		◆					✓	✓		✓						✓			
613	19.1	MTV: more local than global?		◆			◆		✓					✓							
620	19.2	TCL: global strategy at one of China's largest consumer electronics companies		◆		◆			✓	✓	✓		✓								
630	19.3	Cadbury: will it ever gain global market leadership in chewing gum?		◆	◆		◆		✓					✓							
652	20.1	The changing business model of Novartis		◆	◆		◆		✓	✓	✓						✓				
660	20.2	Success and failure of two business models at Tesco		◆	◆				✓	✓				✓			✓				
665	20.3	Why a bigger business model does not necessarily mean better, but a green strategy helps		◆										✓	✓						✓

Page	LONGER AND MORE INTEGRATIVE CASES (IN PART 6)		Main area/ country					Topic or theme																
			Global	UK	European	Asia/Pacific	USA	African	Emergent/prescriptive process	Competitive environment	Competitive resources	Culture and leadership	Developing purpose	Governance and social responsibility	Strategic options	International and global strategy	Corporate-level strategy	Acquisitions and alliances	Learning and knowledge	Managing change	Public and not-for-profit	SMEs and entrepreneurship	Green strategy	
674	1	Europe's leading airlines: budget strategy or bust?	◆		◆				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓						
680	2	Global beer and lager: exploring strategies in a mature market	◆		◆	◆	◆		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓						
685	3	SABMiller: South Africa goes quietly global	◆					◆	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓						
689	4	Prescriptive and emergent strategy: global car markets and the battle between the world's top five car companies	◆						✓	✓		✓	✓	✓	✓	✓	✓						✓	
699	5	PSA Peugeot Citroën: stuck in the strategy slow lane?	◆			◆	◆		✓	✓	✓	✓	✓	✓	✓	✓	✓			✓			✓	
704	6	Risks and rewards in Russia: rescue strategy at AvtoVAZ Cars			◆				✓	✓				✓	✓	✓	✓							
706	7	Competitive strategies: good news and bad news at Tata Motors	◆			◆			✓	✓	✓			✓		✓				✓			✓	
712	8	Strategic leadership and change: the rise and fall of CEO Carly Fiorina at Hewlett-Packard	◆			◆			✓	✓	✓						✓			✓				
716	9	Strategic leadership: what can companies learn from 'Chainsaw AI'?					◆				✓									✓				
718	10	Sony strategy: more restructuring or complete breakup?	◆			◆			✓	✓	✓	✓		✓					✓				✓	
722	11	Emergent strategy: what's the new smart strategy for PCs, media tablets and mobiles?	◆						✓			✓		✓									✓	
728	12	Prescriptive strategy: Dell's new strategy beyond commoditisation: too little and too late?	◆						✓	✓	✓				✓									
732	13	Emergent strategy: the competitive threat to Apple Music	◆						✓	✓	✓			✓					✓	✓				
738	14	Emergent strategy: how Google's search strategy opened up the web (and earned a fortune for its inventors)	◆						✓	✓	✓								✓	✓			✓	

CASES ON THE COMPANION WEBSITE

In addition to the above cases, the companion website student section also contains the following cases with indicative answers to the case questions:

- Chapter 1: Apple's profitable but risky strategy
- Chapter 2: Emergent strategy at Virgin Group
- Chapter 5: How GEC Marconi used attack, co-operation and game theory strategies to make an extra US\$3 billion
- Chapter 7: Will traditional retail banks survive the threat of the new technologies – the internet and telephone banking?
- Chapter 15: Shock tactics at BOC
- Chapter 17: eBay – the auction market that spans the world
- Chapter 18: Olympic Games 2012: five cities bid to host the games
- Chapter 19: Tate & Lyle plc: globalisation to sweeten the profit line?
- Chapter 20: Side effects leave Roche reeling

In addition, the companion student website also contains the following cases in the Integrative Cases section at the end of the text but without indicative answers:

- Heineken: what's the best strategy? Build brands or acquire companies?
- Toyota: does it rely too heavily on production for world leadership?
- Disaster and recovery: thinking outside the box at IBM
- Sorting out Sony: restoring the profits and the innovative fire

ACKNOWLEDGEMENTS

First edition

During the writing of the first edition of this book, the text has benefited enormously from a panel of reviewers set up by Pitman Publishing. They are: Drs Robert Bood, Vakgroep Bedrijfseconomie, Faculty of Economics, Groningen University; Stuart Bowie, Bristol Business School, University of the West of England; Ms Maria Brouwer, Department of Economics, Amsterdam University; Bruce Lloyd, Head of Strategy, Business School, South Bank University; Professor Bente R Lowendahl, Department of Strategy and Business History, Norwegian School of Management, Sandvika; Richard Morland, Senior Lecturer in Management, Department of Business Management, Brighton University; Dr Martyn Pitt, School of Management, Bath University; Professor Louis Printz, Department of Organisation and Management, Aarhus School of Business, Denmark; Professor Dr Jacob de Smit, Faculteit der Bedrijfskunde, Erasmus University, Rotterdam; and Bill Ramsay, Associate Fellow, Templeton College, Oxford.

In addition, others have also made a significant contribution: Dr Richard Gregson and Richard Cawley, European Business School, London; Professor Colin Haslam, Royal Holloway College, University of London; Dr Carol Vielba and Dr David Edelshain, City University Business School, London; Adrian Haberberg, University of Westminster, London; Professor Kazem Chaharbaghi, University of East London; Laurie Mullins, University of Portsmouth; and Val Lencioni and Dr Dennis Barker, Middlesex University Business School. I am also grateful to Middlesex University for a part-time sabbatical to write sections of the text.

Since becoming involved in higher education, I have lectured at universities in South East England, Singapore and elsewhere. The concepts and cases have benefited from the comments, challenges and contributions of many students over this time period and I am grateful to them all.

To provide real-life examples, I have been able to draw upon material provided by a number of organisations. In particular, I would like to thank Skandia, Ford Motor Company and Portsmouth City Council. I am also grateful to the *Financial Times* for permission to adapt a number of articles as case studies for use in the book. Numerous other authors and organisations have also given permission for extracts from their work to be used: these are acknowledged appropriately in the text.

Note that Chapter 10 presents a case study of two companies, Eurofreeze and Refrigor. These are wholly fictional names developed for the purposes of the case study. No link is intended with any real company that might be trading under these or similar names in frozen food or other products. As explained in the case, the data is derived from several real cases and has been disguised to protect confidentiality.

The first edition of this book would never have happened without the major support and encouragement of the editorial team at Pearson Education. Their professionalism, experience and knowledge have been invaluable. My thanks go to Catriona King in the very early days and, later, to the invaluable Stuart Hay, together with Simon Lake and Mark Allin. Elizabeth Tarrant worked magnificently on the editorial process, Colin Reed produced an excellent design and Helen Beltran notably improved the text. Finally, Penelope Woolf provided the bedrock of guidance and support on which all else has rested. My thanks to them all.

This book has a history stretching back over a number of years, including the author's experience in nearly 30 years as a line manager and consultant in industry. To all my many colleagues over the years, I offer my grateful thanks for all the lessons learnt.

Second edition

The second edition owes much to those who contributed to the first edition: they are acknowledged above. In addition, a new panel of reviewers set up by the publishers has commented on the second edition and the text has again benefited considerably from their guidance. They are: Greet Asselburgh, Management Department, RUCA Antwerpen; Peter Berends, Faculty of Economics and Business Administration, University of Maastricht; Andy Crane, Cardiff Business School; Steven Henderson, Southampton Institute; Tom Lawton, Royal Holloway, University of London; Judy Slinn, Oxford Brookes University.

In addition to all those named above across the two editions, others have also made a significant contribution to this edition: the many students who have commented on parts of the text; Professor Harold Rose and the Dean, Professor John Quelch, London Business School; Roger Lazenby, Middlesex University Business School; Gerry Scullion, Ulster University; the participants in the two *Financial Times* Corporate Strategy Workshops in early 1999; the anonymous respondents to the academic questionnaire from the publishers on the first edition; John Meehan and one of his student groups in Liverpool John Moores University. In addition to his comments, John has also taken over responsibility for the website that operates in conjunction with this text, for which my thanks.

Various companies and organisations have given permission for their material to be used in the text. They are thanked individually in the text.

Importantly, it is right to acknowledge the immense contribution of the publishers, Pearson Education, to the development of this second edition. Their policy of seeking the highest standards in educational publishing has been crucial to this work. Their significant resource commitment to promote and communicate strategic management writing and research has been a vital element in the development of the second edition. In addition to those named above at the time of the first edition, I am particularly grateful to Jane Powell and Beth Barber for their earlier guidance and advice. More recently, Sadie McClelland and Jacqueline Senior have taken over these roles and moved the process forward with considerable skill. I would also like to record my thanks to David Harrison for the desk editing job at Harlow.

Finally, I want to thank two of my nephews: Christian Lynch, who sorted out my computer software, and Stephen Lynch, who sorted out the hardware. Without them and all the others who have contributed to the text, this second edition would never have happened.

Third edition

Once again, Pearson Education set up a panel to comment on the second edition and provide invaluable comments for the third edition. The guidance of the following is much appreciated: John Ball, Swansea Business School; Jack Colford, Oxford Brookes University; Sandy Cripps, East London Business School; Bo Eriksen, University of Southern Denmark; Joyce Falkenberg, Norwegian School of Economics and Business Administration; Moira Fischbacher, University of Glasgow; Simon Harris, University of Stirling, UK; Paul Jackson, Coventry Business School; Tomi Laamanen, Helsinki University of Technology; Juha Laurila, Helsinki School of Economics; Tim Moran, University of Salford; Robert Morgan, University of Wales, Aberystwyth; Colin M Souster, University of Luton; Barry Witcher, University of East Anglia.

Fourth edition

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