

NINTH EDITION

STRATEGIC ANALYSIS AND ACTION

MARY M. CROSSAN • MICHAEL J. ROUSE
• W. GLENN ROWE • CARA C. MAURER

PEARSON

Toronto

Editorial Director: Claudine O'Donnell
Acquisitions Editor: Carolin Sweig
Marketing Manager: Jessica McInnis
Program Manager: Karen Townsend
Project Manager: Pippa Kennard
Developmental Editor: Alanna Ferguson
Production Services: Cenveo® Publisher Services
Permissions Project Manager: Joanne Tang
Text Permissions Research: Renae Horstman
Cover Image © Peter Kai / Shutterstock images

Vice-President, Cross Media and Publishing Services: Gary Bennett

Credits and acknowledgments for material borrowed from other sources and reproduced, with permission, in this textbook appear on the appropriate page within the text.

Original edition published by Pearson Education, Inc., Upper Saddle River, New Jersey, USA.
Copyright © 2016 Pearson Education, Inc. This edition is authorized for sale only in Canada.

If you purchased this book outside the United States or Canada, you should be aware that it has been imported without the approval of the publisher or the author.

Copyright © 2016 Pearson Canada Inc. All rights reserved. Manufactured in the United States of America. This publication is protected by copyright and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or likewise. To obtain permission(s) to use material from this work, please submit a written request to Pearson Canada Inc., Permissions Department, 26 Prince Andrew Place, Don Mills, Ontario, M3C 2T8, or fax your request to 416-447-3126, or submit a request to Permissions Requests at www.pearsoncanada.ca.

10 9 8 7 6 5 4 3 2 1 [V031]

Library and Archives Canada Cataloguing in Publication

TK

PEARSON

978-0-13337029-4

Brief Table of Contents

Chapter 1	A General Management Perspective	1
Chapter 2	Strategy	17
Chapter 3	The Diamond-E Framework	48
Chapter 4	Tools for Environment Analysis	62
Chapter 5	Environment Analysis: The Strategy–Environment Linkage	88
Chapter 6	Resource Analysis: The Strategy–Resource Linkage	112
Chapter 7	Management Preference Analysis: The Strategy–Management Preference Linkage	132
Chapter 8	Strategy and Organization	161
Chapter 9	Strategic Choice	193
Chapter 10	Implementing Strategy: Change Agenda and Starting Conditions	214
Chapter 11	Implementing Strategy: Guidelines and Action	238
	<i>Index</i>	<i>262</i>



Detailed Table of Contents

<i>Preface</i>	<i>ix</i>		
<i>Acknowledgments</i>	<i>xii</i>		
1 A General Management Perspective	1		
The Job of the General Manager	1		
Assessing Performance	3		
Using the Performance Matrix	5		
Setting Direction: Vision, Mission, Values	6		
Guiding Philosophy	8		
Tangible Image	10		
Reasonable Expectations of a Vision Process	10		
Process Concerns	11		
A Final Vision Check	12		
From Vision, Mission, and Values to Strategy	13		
Strategic Analysis, Planning, and Business Plans	13		
Summary	14		
Notes	14		
2 Strategy	17		
The Essentials of the Strategy Model	17		
The Role of Strategy	18		
Strategy in a Single Business	20		
Goals	20		
Goal Structures	22		
Describing Goal Structures	22		
Goals and Competitive Advantage	23		
Product Market Focus	24		
Describing Product Market Focus	25		
Product Market Focus and Competitive Advantage	26		
Value Proposition	26		
Describing Value Propositions	27		
The Value Proposition and Competitive Advantage	29		
Core Activities	30		
Describing Core Activities	31		
Core Activities and Competitive Advantage	32		
Putting the Strategy Components Together	33		
Other Strategy Perspectives	35		
Corporate Strategy	38		
Describing Corporate Strategy	40		
Corporate Strategy and Competitive Advantage	42		
Corporate Strategy and Corporate General Management	43		
Summary	44		
Notes	45		
3 The Diamond-E Framework	48		
Introducing the Diamond-E Framework	48		
The Criterion of Consistency	49		
Consistency, Opportunity, and Risk	50		
Strategy, Strategic Proposals, and Strategic Analysis	52		
Using the Diamond-E Framework	53		
The Strategy–Environment Linkage	53		
The Strategy–Resources Linkage	54		
The Strategy–Management Preferences Linkage	54		
The Strategy–Organization Linkage	55		
Strategic Tension	55		
The Process of Strategic Analysis	56		
Step 1: Base Case Analysis	57		

Step 2: Strategy Formulation and Testing	59
Step 3: Decision and Execution	60
Summary	60
Notes	61
4 Tools for Environment Analysis	62
PEST	63
Porter's Five Forces Model	64
Potential Entrants	64
Suppliers	66
Buyers	67
Substitute Products	68
Intensity of Competitive Rivalry	68
Industry and Organizational Value Chain Analysis	70
Cooperation and Competition: Game Theory	72
Math for Strategists	74
Scenario Planning	75
New Economy Models	76
Blue Ocean Strategy	78
Global Industry Models	79
Stakeholder Analysis	80
Summary: Comparing and Contrasting Industry Analysis Frameworks	84
Notes	85
5 Environment Analysis: The Strategy–Environment Linkage	88
Conducting Environment Analysis	88
Step 1: Focus the Environment Analysis	88
Performance Assessment as a Focusing Tool	90
The Strategic Proposal as a Focusing Tool	91
Jantzen Technologies: A Case Study	91
The Profit Model as a Focusing Tool	93

Defining the Right Time Horizon	95
Minimizing the Risks of Focus	96
Step 2: Test the Strategy–Environment Linkage	98
Demand	99
Supply	102
Competition	103
Government	105
First Check for Fit or Recycle	108
Step 3: Forecast Performance	109
Step 4: Rank against Other Proposals	110
Summary	110
Notes	111
6 Resource Analysis: The Strategy–Resource Linkage	112
The Nature of Resources	112
Other Characterizations of Resources	114
Resources and Competitive Advantage	116
The Dual Role of Resources	119
The Constraining Role of Resources	119
The Driving Role of Resources	120
Resource Analysis	120
Step 1: Identify Resource Requirements	123
Step 2: Test the Strategy–Resource Linkage	123
Recycling	126
Step 3: Develop Gap-Closing Analysis	126
Step 4: Move to the Next Step in the Diamond-E Analysis	128
Dynamic Resources	128
Resources and the Scope of the Firm	129
Summary	129
Notes	130

7 Management Preference

Analysis: The Strategy– Management Preference Linkage 132

Value Creation, Capture, and Distribution 132

Reconciling Stakeholder Interests 133

Corporate Governance 134

Corporate Social Responsibility 137

Management as a Key Stakeholder 138

Inconsistency between Proposed and
Preferred Strategy 138

Inconsistency between Preferred Strategy
and Other Realities 139

The Role of Management Preferences 140

The Roots of Strategic Preference 141

Personal Attributes 141

Character 142

Competencies 143

Job Context 146

Frozen Preference 147

Implications 149

Matching Preferences and Strategy 149

Step 1: Identify the Required Management Preferences 151

Step 2: Test the Strategy– Preferences Linkage 152

Step 3: Develop Gap-Closing Analysis 152

Framing the Gap-Closing Issues—
Individual Managers 153

Gap-Closing Actions and Risks—
Individual Managers 154

Framing the Gap-Closing Issues—Groups
of Managers 155

Management Preferences and Competitive Analysis 157

Summary 158

Notes 159

8 Strategy and

Organization 161

Organizational Capabilities 163

Behaviour 166

Culture 167

Step 1: Identify Required

Organizational Capabilities 169

Step 2: Identify Capability

Gaps 171

Step 3: Develop New Organizational Capabilities 172

Organization Structure 173

Functional Structure 173

Product Organization 175

Geographic Structure 176

Matrix 178

Cellular 178

Strategic Alliances 180

Choosing a Structure 181

Management Processes 182

Decision-Making Processes 182

Operating Processes 184

Performance Assessment and Reward
Processes 185

Leadership Behaviour 186

Do You Have the Right Leaders? 187

Using All Three Leverage Points 188

Step 4: Assess Feasibility 188

Summary 190

Notes 191

9 Strategic Choice 193

Strategy as a Dynamic Process 194

Setting Direction 194

Focusing Effort 194

Defining the Organization 194

Providing Consistency 194

Strategy as Planning 196

Strategy as Learning 199

Cognitive Biases 200

Organizational Learning and Strategic
Renewal 203

Reconciling the Tensions in Strategic
Renewal 205
**Leadership for Strategic
Renewal 207**
**The Practical Matter of
Strategic Choice at a Point
of Time 209**

Summary 211
Notes 211

**10 Implementing Strategy:
Change Agenda and Starting
Conditions 214**

Types of Strategic Change 215

Strategic Decline 216

Leadership Style 217

**Implementing Strategic
Change 218**

The Change Plan 219

Change Agenda 220

**Analysis of Starting
Conditions 220**

**Need for Change: The Crisis
Curve 221**

Crisis Change 223

Anticipatory Change 225

Reactive Change 227

**Organizational Readiness for
Change 229**

Target Group Identification 229

Target Group Readiness 230

Personal Readiness for Change 232
The View From Below 234

Summary 235

Notes 235

**11 Implementing Strategy:
Guidelines and Action 238**

**Establishing Guidelines for
Action 238**

Priority Objectives 238

Behavioural versus Non-Behavioural
Objectives 239

Action Priorities 240

Adopters and Resistors 241

Picking Starting Points for Action 244

Focus versus Scope 245

Leadership Style 246

Directive Leadership 246

The Participative Style 248

Pace 249

Implementing Pace Decisions 250

Generic Guidelines 250

Crisis Change 251

Anticipatory Change 252

Reactive Change 255

Creating an Action Plan 257

Monitoring Performance 258

Summary 259

Notes 259

Index 262

Preface

This book was written to complement case analysis in university and company strategic management courses. It takes the point of view of the general manager and presents a consistent, operational approach to analyzing and acting on strategic problems. Our intent is to introduce you to the breadth of material in strategic management, yet enable you to apply it in a decision-making process. In doing so, we venture beyond current strategic management texts to help reconcile the diversity, breadth, and complexity of the field.

As we point out in Chapter 1, general managers run businesses and other types of organizations, and, while their responsibility may be for a small business, a not-for-profit, public sector, or large corporation, they face the common challenge of guiding their organizations to success in competitive environments. The aim of this book is to develop the basic general management skills required to understand a business organization, sense the opportunities and problems that it faces, deal effectively with strategic decisions, and to set in place the people, structures, and operations to implement those decisions. We refer to this as the general management perspective and, as we describe in Chapter 1, it applies to any person in the organization, not just the general manager. Having a general management perspective requires a disposition to lead, and therefore having a general management perspective is consistent with concepts such as strategic leadership and cross-enterprise leadership.

In preparing the text materials, we have concentrated on analytic concepts that contribute to a practical understanding of specific strategic issues and to the translation of this understanding into personal action. Further, we have linked these discrete concepts into a comprehensive framework—the Diamond-E framework—to ensure that the whole of the situation facing the business is appreciated and that priorities are set for both analysis and action.

We have made two assumptions about our readers. First, we have assumed that they are engaged in trying to solve strategic problems—as students of business doing case analyses or field projects, or as managers on the job. Application and practice are the prime vehicles for understanding the power and limitations of the concepts in this text and, more importantly, for developing general management skills. Second, we have assumed that our readers possess a basic understanding of the background disciplines and functional areas of business, such as the financial analysis and marketing skills provided in early courses in university business programs.

APPROACH

The point of view we take on strategic issues is that of a general manager. We assume that you are willing to share this perspective—to see yourself as responsible for the overall direction and success of an organization or business unit. As a general manager, you must think in comprehensive terms of the total problem you are dealing with, taking into account the full breadth of its meaning and consequences for the business. Partial

analyses from a specialist or a functional perspective may be helpful, but they do not meet the general manager's need for the best overall approach to a situation. In addition to the broad issues of direction, you must worry about the specific steps of execution—about closing the gaps between strategic choice and practical, personal action. Again, the recommendations of a consultant or staff specialist may be useful, but their advice will usually address only the directional aspects of the general manager's concerns. In short, we ask you to step into a particularly challenging position in which you must think of problems in terms of a total business, set priorities, and plan for tangible, practical action.

Three threads weave their way through the fabric of the text: value, advantage, and globalization. General managers are fundamentally charged with the responsibility of guiding their organizations to create and capture value with an eye to how that value is distributed among various stakeholders, including shareholders. Our perspective is that organizations are mechanisms invented by society to generate value that individuals cannot generate on their own. The value that organizations generate takes many forms (e.g., profit, jobs, self-actualization, goods, and services), and different organizations generate different types of value. All organizations, however, must generate value—that is the reason they exist.

Organizational growth or even survivability depends not merely on the generation of value; businesses must also have comparative or competitive advantage. Why should customers buy your valuable product or service rather than another firm's? As a general manager, you must ensure that your value-generating organization has competitive advantages.

Thirdly, today's environments are global. Very few industries are not impacted in some meaningful way by global forces. We deal with some specific issues related to global diversification strategies, but a basic assumption that we hold, and that we encourage you to consider as a general manager, is that globalization is no longer a separate, optional consideration. Globalization is a fundamental element for strategic analysis and action.

Understanding that the role of the general manager has changed in recent years, we have chosen to underscore this change with the term "Cross-Enterprise Leadership." We summarized these changes, and the distinctions between the general manager and the Cross-Enterprise Leader in an *Ivey Business Journal* article. There, we concluded that the forces of globalization, rapid change, and time-based competition had redefined the role of the general manager and that organizations, as single entities controlling their own fate, had been supplanted by networks and alliances of enterprises.

Whereas general management focused on integrating the various functions within an organization, the business imperative today requires an approach—Cross-Enterprise Leadership—that can create, capture and distribute value across a network of companies, not just within a company. Second, these networks, which we call enterprises, are complex and dynamic, and must be able to respond as a whole to the emergent challenges that are continually presented. Third, no one leader can "manage" the enterprise, and therefore leadership needs to be distributed. Finally, these changes require an approach to leadership over-and-above that possessed by traditional business leaders. At its core, Cross-Enterprise Leadership recognizes that managers operate in a complex world in which the boundaries of organizations are fluid and dynamic, cutting across functional designations, departments, business units, companies, geography and cultures.¹

That value is created cross-enterprise is demonstrated by Coca-Cola and Nestlé, who are competitors in bottled water and several beverage categories around the world. But in North America, Coca-Cola is the primary distributor for Nestlé's Nestea product. Toshiba reduces its shipping costs by having UPS undertake repairs of Toshiba products, and Singapore-based Flextronics undertakes design and manufacturing services for companies in the automotive, industrial, medical, and technology sectors. Health care networks have become a necessary means to deliver on health care needs. While we take the organization as the primary focus, our perspective acknowledges that the boundaries of the organization are often blurry, and models of strategy need the flexibility to take this into account.

For the purpose of this book, we will retain the term "general manager"; however, our view of the role of the general manager has changed, and these changes are reflected in the materials presented. The choice and presentation of material in the book have been guided by experience and practical utility. Our aim has been to provide useful tools organized into one consistent and comprehensive framework. Our intent is to present the diversity and complexity of the field but distill it so that it can be applied in a decision-making process. Additional readings are suggested, where appropriate, at the end of chapters for those who wish to explore specific subjects in greater depth.

Throughout the book, we have frequently used examples to make the connection between the concepts, which have to be somewhat general for flexibility and breadth of application, and specific strategic issues. As you read, you might find it useful to think of examples from your own experience and test the applicability of the concepts against them.

ORGANIZATION

The book is organized according to a general pattern: problem identification to analysis to decision to execution. This is a natural, logical sequence and is effective for the cumulative presentation of concepts. But we do not mean to imply that actual strategic problems can be dealt with in such a neat, serial fashion. On the contrary, most strategic problems require an iterative approach, in which the analysis moves back and forth between choice and action. This point will become evident as you read through the book. Its immediate application, however, is that you should not expect to find business situations, or case problems describing them, that neatly conform to the flow of the text.

Throughout the book we use the terms business, organization, and firm interchangeably. Whether considering a not-for-profit or for-profit organization, a small entrepreneurial firm or a large multi-national, a public or private sector enterprise, the concepts apply to all types of organizations. If there is a particular distinction to be made for a specific type of organization, such as a not-for-profit, we will flag it. However, these instances will be rare as the fundamentals of strategy apply to all types of organizations in all geographic contexts.

There are 11 chapters in the book. Chapters 1 and 2 position the concept of strategy as a crucial general management tool and then provide an operational understanding and definition of it. Chapter 3 introduces the Diamond-E framework and the fundamental logic of strategic analysis. Chapters 4 through 8 elaborate on the processes of analysis by

working through the individual components of the Diamond-E framework with a view to building a comprehensive position on strategic needs and priorities. Chapter 9 discusses the dynamic nature of strategy, providing a transition to Chapters 10 and 11, which concentrate on developing personal action plans to move from the analytic results to the implementation of strategic changes.

SUGGESTIONS FOR USE

At the outset, we suggest that you read Chapters 1 through 3 thoroughly. This will provide a perspective for your thinking and a basic framework for your analysis. Skim the rest of the book so that you know where to turn as specific circumstances dictate.

As you deal with problems, use the book selectively. Try to work back and forth between the problem that you are addressing and the relevant parts of the book. Use the concepts to check your analysis and, as necessary, to expand it. Common sense is very important here. Do not try to force the concepts and procedures on a problem; instead use them to enrich the analysis.

Study the book after you have spent some time working on strategic problems. At that point, you will more readily appreciate the general analytical approach and see the applicability of particular concepts. From then on, the building of skills in strategic analysis and action is a matter of practice and more practice. Remember, you are dealing with the most complex problems in business. Good luck!

NEW TO THIS EDITION

The first edition of this book was published in 1986. In revising it for this ninth edition, we have updated both the examples and recent theory that support the practical and user-friendly aspects of the eighth edition.

Many of the changes in theory and practice in recent years have been toward fragmentation of concepts and pitting one approach against another. We have found this to be counter-productive. For example, emphasizing a dynamic approach to strategy does not negate the importance of understanding strategic positioning at a point in time. Thus, in this edition, we have tried to make connections between concepts that have become increasingly fragmented or polarized.

Throughout the many editions, our consistent aim has been to increase the relevance of the materials for solving general management problems in the field or in the form of written cases.

ACKNOWLEDGMENTS

Our primary acknowledgment goes to Nick Fry and Peter Killing, who launched the first edition in 1986 and who continued as authors through the years into their retirement. They provided a vision and platform that has stood the test of time in its ability to anticipate and adapt to changes in both research and practice. Indeed, virtually all advances in the field of strategy have been easily accommodated within

the approach they imagined. We are grateful for their leadership in resisting some early moves in academia and practice away from a general management perspective to treating strategy as a technical competence. The shortcomings of that approach are apparent—strategy and leadership are tightly intertwined. We are grateful that as Nick and Peter have retired from the book, Cara Maurer and Glenn Rowe have joined the author team.

We have been fortunate to work for many years in institutions that value good teaching and professional relevance. These cultural attributes have been developed and reinforced by many people. In all editions, we have benefited from the new ideas and continuing support of our colleagues in the university and in the private sector. We would particularly like to acknowledge our immediate colleagues at the Ivey Business School and at IMD who, over the years, have included professors Jay Anand, Tima Bansal, Paul Beamish, Oana Branzei, Laurence Capron, the late Harold Crookell, Jim Dowd, Tony Frost, Michael Geringer, Louis Hébert, Gerald Higgins, Amy Hillman, Bryan Hong, Ariff Kachra, Mike Levenhagen, Peter Lorange, Pat MacDonald, Alan Morrison, Eric Morse, Charlene Nicholls-Nixon, Tom Poynter, Paul Strebel, Don Thain, Stewart Thornhill, Jean-Philippe Vergne, Rod White, Mark Zbaracki, Laurina Zhang, and Charlene Zietsma.

We are also extremely grateful to the following reviewers for their comments and suggestions: Wael Ramadan, Sheridan College; Natalie Slawinski, Memorial University of Newfoundland; Jianyun Tang, Memorial University of Newfoundland; Bob Thompson, Seneca College.

We are indebted to our publisher, Pearson Canada, and, in particular, Kathleen McGill, Madhu Ranadive, Kristina Joie, and Alanna Ferguson for their help in producing and promoting this book. At Ivey, we are obliged to Nicole Haney for her tremendous organizational and administrative support.

Mary M. Crossan,

Michael J. Rouse,

Cara C. Maurer,

W. Glenn Rowe

London, Ontario

SUPPLEMENTS

Test Item File (ISBN 978-0-13-430808-1)

This test bank in Microsoft Word format includes over 300 questions. There are approximately 55 questions per chapter, including multiple choice, true/false, and short answer. The Test Item File is available for download from a password-protected section of Pearson Canada's online catalogue. Navigate to your book's catalogue page to view a list of those supplements that are available. See your local sales representative for details and access.

CourseSmart for Instructors (ISBN 978-0-13-430807-4)

CourseSmart goes beyond traditional expectations—providing instant, online access to the textbooks and course materials you need at a lower cost for students. And even as students save money, you can save time and hassle with a digital eTextbook that allows you to search for the most relevant content at the very moment you need it. Whether it's evaluating textbooks or creating lecture notes to help students with difficult concepts, CourseSmart can make life a little easier. See how when you visit www.coursesmart.com/instructors.

CourseSmart for Students (ISBN 978-0-13-430807-4)

CourseSmart goes beyond traditional expectations—providing instant, online access to the textbooks and course materials you need at an average savings of 60 percent. With instant access from any computer and the ability to search your text, you'll find the content you need quickly, no matter where you are. And with online tools like highlighting and note-taking, you can save time and study efficiently. See all the benefits at www.coursesmart.com/students.

Learning Solutions Managers

Pearson's Learning Solutions Managers work with faculty and campus course designers to ensure that Pearson technology products, assessment tools, and online course materials are tailored to meet your specific needs. This highly qualified team is dedicated to helping schools take full advantage of a wide range of educational resources, by assisting in the integration of a variety of instructional materials and media formats. Your local Pearson Canada sales representative can provide you with more details on this service program.

Notes

1. Crossan, M., Olivera, F. "Cross-Enterprise Leadership: A New Approach for the 21st Century," *Ivey Business Journal*, May/June, 2006.

NINTH EDITION

STRATEGIC



ANALYSIS

AND ACTION





Strategic analysis and action. Item Preview. remove-circle. Share or Embed This Item. EMBED. Strategic analysis and action. by. Fry, Joseph N; Killing, J. Peter. Publication date. 1986. Topics. Strategic planning. Publisher. Englewood Cliffs, N.J. : Prentice-Hall.

Contemporary Strategy Analysis equips managers and students of management with the concepts, frameworks, and techniques needed to make better strategic decisions. My goal is a strategy text that reflects the dynamism and intellectual rigor of this fast-developing field of management and takes account of the strategy issues that companies face today. Contemporary Strategy Analysis endeavors to be both rigorous and relevant. While embodying the latest thinking in the strategy field, it aims to be accessible to students from different backgrounds and with varying levels of experience. I achieve Strategic Analysis and Action Harvard Case Solution & Analysis. Strategic Analysis and Action Case Solution. This note has been prepared as a practical guide for policy analysis and decision making. The goal is to acquaint students with the breadth of the material in the strategic management and allows students to apply strategic analysis in decision-making. Point of view we take on strategic issues is that the general manager. "Hide by Mary M. Crossan 43 pages.

Publication Date: October 21, 2011. Prod. #: W09374-PDF-ENG. Related Case Solutions & Analyses Strategic Analysis and Action MARY M. CROSSAN MICHAEL J. ROUSE JOSEPH N. FRY J. PETER KILLING Richard Ivey School of Business, University of Western Ontario. Richard Ivey School of Business, University of Western Ontario. Toronto. 11 Implementing Strategy: Guidelines and Action Establishing Guidelines for Action 224 Priority Objectives 224 Behavioural Versus Non-Behavioural Objectives. Action Priorities. 224. 224. 226 Contents. vii. Priority Targets 226 Picking Starting Points for Action Focus Versus Scope 229. Leadership Style 230 Directive Leadership 231 The Participative Style 232. Pace. Crossan is a concise, practical guide for the strategic management course. The text provides an organized set of concepts and procedures for analyzing and acting on strategic problems. It takes the point of view of the general manager and presents a consistent, operational approach to analyzing and acting on strategic problems. This revision sees the addition of two new authors, who bring a wealth of experience in developing and teaching this course, and a commitment to excellence. The revision revolves around currency, with new and updated examples and cases, as well as reflect changes to str... Ch 11 Implementing Strategy: Guidelines and Action. For teachers. All the material you need to teach your courses.