

SOLUTIONS MANUAL



THIRTEENTH EDITION



STRATEGIC MANAGEMENT AND Business Policy

TOWARD GLOBAL SUSTAINABILITY

THOMAS L. WHEELLEN • J. DAVID HUNGER

Strategic Management and Business Policy Toward Global Sustainability

Thirteenth Edition

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PEARSON

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ISBN-13: 978-0-13-215324-9
ISBN-10: 0-13-215324-6

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May 2011

Dear Colleague:

We have personally prepared this instructor's manual to the 13th edition of our textbook, *Strategic Management and Business Policy*, with you in mind. It comes in two parts: **Concepts Instructor's Manual**, which covers the chapters, and **Case Instructor's Manual**, which covers the cases. David Hunger is the author of this Concepts Instructor's Manual. Alan Hoffman is the author of the separate Case Instructor's Manual.

This **Concepts Instructor's Manual** is composed of three parts:

Part A. SUGGESTIONS FOR TEACHING STRATEGIC MANAGEMENT

- Suggestions for case method teaching
- Possible course outlines

Part B. CHAPTER NOTES

- Brief abstract of each chapter
- List of topics discussed
- Suggested answers to each chapter's discussion questions
- Additional discussion questions for class or exam use
- Suggestions for use of end-of-chapter strategic practice exercise
- Supplementary lecture modules as available

Part C. PART ENDING CASE NOTES

- Possible ways to use the part-ending short cases
- Application of concepts to the cases

In addition, **PowerPoint slides** and a **computerized test bank** accompany this book. Both are provided for download at www.pearsonhighered.com/irc. **Videos on DVD** are provided for instructors using our textbook. For more information, contact your local Prentice Hall sales representative or call Prentice Hall at 800-526-0485.

This supplementary package should provide you with the materials you need to teach a successful course in strategic management/business policy. We wish you the best and welcome your comments and suggestions.

Best regards,

Thomas L. Wheelen
J. David Hunger

STRATEGIC MANAGEMENT

AND

BUSINESS POLICY

13th Edition

PART A

**SUGGESTIONS FOR TEACHING
STRATEGIC MANAGEMENT**

SUGGESTIONS FOR TEACHING STRATEGIC MANAGEMENT

Strategic management...Business policy...Strategy. Whatever its name, it's typically considered a "capstone" course in most business schools. Its primary job is to examine a business firm as a whole and to integrate the various functional disciplines. It generally includes industry analysis and competitive strategy with a healthy dose of SWOT analysis. It may also include corporate governance and/or social responsibility and ethics, depending upon the instructor. The course is generally expected to take a practical view of how business corporations actually function "in the real world." Nevertheless, there are many ways to teach strategic management. Some people are strong proponents of "the case method." Others argue that simulations are the best method of giving students a "hands-on" understanding of strategic decision making. A number of instructors also use experiential exercises, group projects, and audio-visual presentations. Very few, if any, argue for a straight lecture/discussion type of strategy course at the undergraduate and master's level. Each approach, however, has its strengths and weaknesses.

Lecture/discussion, for example, is a good way to communicate a lot of information and to critically analyze theoretical concepts. In a strategy course, however, the emphasis is typically upon developing integrative and problem-solving skills. This is a weakness of the lecture/discussion approach.

The *simulation*, in contrast, is an excellent method to develop these skills and to put the learning in the hands of the student rather than in the hands of the instructor. It also emphasizes strategy implementation, an aspect of strategic management often receiving little emphasis in most strategy courses. Its weaknesses include turning the instructor from a teacher into an administrator. If teams are used, there is a strong tendency for students to let the "computer geeks" take charge of decision making as the objective turns from strategy making to "playing the game".

The Case Method

The most popular as well as the most perceived effective approach to teaching strategic management is the case method. Its strengths include a real-world orientation (believed to generate student involvement) and the ability to focus on developing decision-making skills by taking an integrative and conceptual, yet action-oriented approach. This method may not go well, however if the instructor is inexperienced in the use of cases and/or the students are not motivated to do more than a superficial reading of the cases. A capable case instructor must be able to force the typical student to go beyond satisficing at a very low level (e.g., "In my opinion, they ought to fire the CEO.").

If given a free rein, the average undergraduate tends to Monday morning quarterback the case. For example, if everyone knows that Hershey Foods successfully developed and marketed a new type of sugar-free candy this year, there is a strong tendency to recommend this solution rather than other alternative courses of action. As a result, an instructor new to the case method must ensure that students truly understand that the best solution to any case problem is not (a) the one the instructor mentions, (b) what the company actually did, or (c) the most obvious solution. The best solution comes from the best analysis. This means that the instructor must work hard to ensure that students don't take the easy route by merely stating the symptoms as if they were underlying problems and going immediately to their desired solution without regard for other alternatives.

Suggestions for Using Cases

There are many ways to use cases. Some instructors prefer to generate open class discussion. Others prefer to assign cases to student teams for oral presentations. Most like to have students write an analysis of at least one case during the course, often as a final exam. See the Appendix to the Chapter Twelve Notes at the end of Part B of this Concepts Instructor's Manual for Suggested Teaching Suggestions and Materials.

Open Class Case Discussion. One approach is for the instructor to lead the discussion with penetrating questions and answers like Professor Kingsfield in the classic film, "The Paper Chase." The vast majority prefers to begin the

analysis with a few key questions and hope to get the students to take over the discussion. The instructor then tends to fade into the background or puts key points on the blackboard. This is what is meant by "Harvard style" case analysis and discussion. Here are some suggested ideas for leading successful open-class case discussions:

1. Read the case over carefully before class. Then study the case. Calculate common size financial statements, key ratios, and adjust for inflation, if appropriate. Any obvious problem areas?
2. Read the teaching note for the case. Use the Instructor's Manual! Read previous student papers if available.
3. Decide how you're going to run the class. What key points need to be addressed? Can you break the class up into teams and have them role play or analyze certain parts of the case and present them to the class? Prepare an outline of how you would like the discussion to go and guess how much time is needed per major point.
4. Put together a usable seating chart. If the class meets for a long period of time, ask the students to make their own name cards and to bring them to class each time. Take pieces of paper and magic markers for them to use at the first meeting (1 marker for each row in the class). Be prepared to keep track of discussion in pencil on your seating chart. If you call on them, mark a check next to their names. If the answer is very good, put a + next to the check. If it is just a satisfactory answer, simply leave the check as is. If the answer is poor, place a minus next to the check. If someone volunteers, mark a vertical straight line next to their name. If it's a great comment, make it a plus sign. You can either do this during class or immediately after (if you have the time). Then transfer your marks to a separate sheet with dated columns. (Use a computerized spreadsheet.)
5. Start with the basics. Call on someone to state the basic facts of the case. Ask him or her to describe the firm. When was it founded? What does it make? How well is it doing? The first undergraduate will probably respond in terse sentences such as, "It makes electronic parts." Getting more information may require you to play dentist - pulling sentence fragments out like teeth. "What kind of electronic parts? Who buys them? How are they made? What are its sales? Is it profitable?" As the typical undergraduate begins to falter and skims wildly through the pages in the book, hopefully you will hear from a volunteer. Keep rolling.
6. Go through your outline section by section. Put the topic headings on the blackboard as they are discussed and write in key points under each. Remember to leave enough time to develop alternatives with pros and cons for each. Force the class to make a decision. Have them personally vote for their desired alternatives - then push them to justify them. Give yourself five minutes at the end of class to sum up the discussion and to point out the key learning objectives of the case discussion. Above all, try not to carry a case over to the next class meeting. Students will typically have forgotten it completely by then and all momentum will be lost. If you have to carry it over, summarize the previous discussion and then ask them to write their solution on paper to hand in like a pop quiz. Everyone will want to orally justify their personal solution after they hand in their paper. You will probably have a hard time closing down the discussion!
7. As a final note, you may wish to tell them what actually happened to the firm in the case (if you know). They enjoy hearing a postscript. Please remind them, however, that there is no one best solution and that what actually happened may not have been the best solution. Encourage creativity. Above all, start writing some cases yourself. It will give you a lot more confidence as a case discussion leader. Good luck!

Student Oral Presentations. A second approach to using cases is the student oral presentation. This has been used quite successfully by a number of instructors. By the second week of class, the students are placed into teams, each composed of three to five people. Each team is then assigned a case to present during the semester. This approach

may be used during the second half of the semester if the instructor chooses to lead open case discussions during the first half. It may also be used during the first half instead of open case discussion if a simulation or project is planned for the second half of the course. Among its *advantages* are:

- The instructor gets off stage and is no longer responsible for case analysis.
- The students develop important group and presentation skills as well as learning how to handle themselves under pressure in a questioning period.
- The level of analysis is typically deeper than in the average open class case discussion (unless the instructor is extremely competent in leading cases or the students are unusually motivated to prepare for the discussions).

The biggest *disadvantage* of the student oral presentation is that unless something else is assigned, most undergraduates and a large number of graduate students who are not presenting will only superficially read the case. They are likely to hold back from asking any penetrating questions of the presenting group and may choose to skip classes when they are not themselves presenting. If not carefully arranged, the presentations can thus deteriorate into unimaginative speeches aimed at the instructor. We therefore recommend that the instructor assign at least some written analysis to a couple non-presenting teams. The instructor should also give fairly comprehensive feedback to the presenting team within a week of the presentation. We also recommend that you don't schedule all oral presentations back-to-back. Intersperse them with lectures or open class discussions.

Written Case Analysis. There are at least three approaches to use with written case analyses. One is the comprehensive student report that covers all the issues in the case in a complete manner including references and exhibits (ratios, pro forma financial statements, product life cycle drawings, etc.). A second approach is the short report prepared in response to a specific question such as, "If the firm continues with its present strategies and objectives, where will it be in five years?" A third approach, which we strongly recommend, is the strategic audit. It forces the student to do a complete strategic analysis as in the comprehensive report, but it is only a three to four-page outline and is thus quick to read and easy to grade.

Both the short report and the strategic audit are useful during open class case discussion in order to ensure adequate student preparation for class. The instructor's job as discussion leader is made much easier as students compete with each other to orally "sell" their points of view in class. Good arguments can develop. The instructor may use the board to list the pros and cons of each argument and ask for a student vote on the issues. The short report and the strategic audit are also useful adjuncts to student oral presentations. If one or two teams bring completed reports or audits to class on the same case being presented orally, much more interest is generated in class during the presentation and questioning periods.

Possible Course Outlines

A number of policy instructors, including us, have a strong bias in favor of 75-minute classes meeting twice a week. Open class discussion or oral presentations of complex strategy cases usually require at least an hour's worth of time. Given the usual rigmarole involved in starting and ending a class, it is very difficult to handle a case well in a 50-minute period unless the case is analyzed over two class sessions. Nevertheless, we provide possible course outlines for both kinds of classes. Another variable is the semester versus the quarter. We provide outlines in Exhibits 1, 2, and 3 for the semester system and assume that they can be reduced for a quarter system course simply by not using a second half management simulation or a team project and by adjusting the number of cases accordingly.

One other variable, which complicates the development of a course outline, is the decision concerning the timing of the lectures on strategic management. Some instructors choose to spend the first part of the course lecturing over the book while the students quickly read the chapters. Others attempt to intersperse lectures with case discussions or

presentations. The key question seems to be: How much information do students need before they can competently analyze their first comprehensive strategic management case? This is completely up to the instructor. We believe that a use of the strategic audit will help students to competently analyze their first comprehensive case even if they have not gone beyond corporate strategy in Chapter Seven. We have found this point to be a good time to begin oral presentations, for example. The first case, should, however, emphasize strategy formulation over implementation and be reasonably easy to analyze with each following case increasing in difficulty.

Exhibit 1

COURSE OUTLINE FOR 30 CLASS MEETINGS OF 75 MINUTES EACH

<u>DAY</u>	<u>ACTIVITY</u>
1	Introduction. Discuss syllabus.
2	Lecture/discussion of Chapter One: Basic Concepts.
3	Discussion of Chapter Two & a short case on Corporate Governance.
4	Discussion of Chapter Three & a short case on social responsibility or ethics. Form teams.
5	Lecture/discussion of Chapter Four focusing on trends in the societal environment.
6	Class discussion of Industry Analysis using an industry note if available.
7	Lecture/discussion of Chapter Five emphasizing the resource-based approach.
8	Open class discussion of a case appropriate for early part of course.
9	Lecture/discussion of Chapter Six: Formulation of Business Strategy.
10	Class discussion of a case appropriate for early part of course.
11	Lecture/discussion of Chapter Seven: Formulation of Corporate Strategy.
12	Class discussion of a case appropriate for the early part of the course.
13	Lecture/discussion of Chapter Eight: Formulation of Functional Strategy & Choice.
14	Mid-Term Exam.
15	Lecture/discussion of Chapter Twelve: Suggestions for Case Analysis.
16	Lecture/discussion of Chapter Nine: Implementation – Organizing.
17	Oral team presentation 1 of a case appropriate for the midpoint of the course.
18	Lecture/discussion of Chapter Ten: Implementation - Staffing & Directing.
19	Oral team presentation 2 of a case appropriate for the midpoint of the course.
20	Lecture/discussion of Chapter Eleven: Evaluation & Control.
21	Oral team presentation 3 of a case appropriate for the midpoint of the course.
22	Lecture/discussion of Web Chapter on Technology & Innovation.
23	Oral Team presentation 4 of a case dealing with technology.
24	Lecture/discussion of Web Chapter on Entrepreneurial Ventures & Small Businesses.
25	Oral team presentation 5 of a complex entrepreneurial case.
26	Lecture/discussion of Web Chapter on Not-For-Profit Organizations.
27	Oral team presentation 6 of a complex case.
28	Oral team presentation 7 of a complex case.
29	Review for final exam or oral presentation 8 of a complex case.
30	Final Exam/Paper.

EXHIBIT 2
COURSE OUTLINE FOR 30 CLASS MEETINGS OF 75 MINUTES EACH
(WITH simulation or project at end)

<u>DAY</u>	<u>ACTIVITY</u>
1	Introduction. Discuss syllabus. Lecture/discussion of Chapter One.
2	Lecture/discussion of Chapter Two and short corporate governance case.
3	Lecture/discussion of Chapter Three and short Ethics/Social Responsibility case.
4	Lecture/discussion of Chapter Four, Environmental Scanning.
5	Lecture/discussion of Chapter Five, Organizational Analysis.
6	Lecture/discussion of Chapters Six and Twelve.
7	Open class discussion of a case appropriate for the early part of the course.
8	Lecture/discussion of Chapter Seven.
9	Open class discussion of a case appropriate for the early part of the course.
10	Lecture/discussion of Chapter Eight.
11	Open class discussion or oral presentation of a case appropriate for the midpoint of the course.
12	Lecture/discussion of Chapters Nine and Ten.
13	Open class discussion or oral presentation of a case appropriate for the midpoint of the course.
14	Lecture/discussion of Chapter Eleven.
15	Open class discussion or oral presentation of a more complex case appropriate for the late part of the course.
16	Lecture/discussion of Web Chapter on Technology & Innovation.
17	Open class discussion or oral presentation of a fairly complex case.
18	Lecture/discussion of Web Chapter on Entrepreneurial Ventures & Small Businesses.
19	Open class discussion or oral presentation of a complex case.
20	Lecture/discussion of Web Chapter on Not-For-Profit Organizations.
21	Open class discussion or oral presentation of a complex case appropriate to the late part of the course.
22	Midterm exam (test or written case analysis).
23-29	Management simulation or team projects.
30	Final Exam/Paper.

EXHIBIT 3

COURSE OUTLINE FOR 45 CLASS MEETINGS OF 50 MINUTES EACH
(With or without simulation or project at end)

<u>DAY</u>	<u>ACTIVITY</u>
1	Introduction: Discuss syllabus.
2	Lecture/discussion of Chapter One: Introduction.
3	Lecture/discussion of Chapter Two: Governance.
4	Class discussion of a short Corporate Governance case.
5	Lecture/discussion of Chapter Three: Social Responsibility/Ethics.
6	Class discussion of a short social responsibility/ethics case.
7	Lecture/discussion of Chapter Four: Scanning the Societal Environment.
8	Lecture/discussion of Chapter Four: Industry Analysis & Forecasting.
9	Class discussion of a particular industry.
10	Lecture/discussion of Chapter Five: Organizational Analysis.
11	Lecture/discussion of Chapter Twelve: How to Do Case Analysis.
12	Class discussion of a short case appropriate for early part of course.
13	Lecture/discussion of Chapter Six: Business Strategy.
14	Class discussion of a short case appropriate for early part of course.
15	Lecture/discussion of Chapter Seven: Corporate Strategy.
16	Class discussion of a short case appropriate for early part of course.
17	Lecture/discussion of Chapter Eight: Functional Strategy/Strategic Choice.
18	Class discussion of a case appropriate for middle of course focusing on situation analysis.
19	Continuation of case discussion focusing on alternatives.
20	Lecture/discussion of Chapter Nine: Organizing.
21	Class discussion of a case appropriate for middle of course focusing on situation analysis.
22	Continuation of case discussion focusing on alternatives.
23	Lecture/discussion of Chapter Ten: Staffing & Directing.
24	Class discussion of a case focusing on implementation issues.
25	Lecture/discussion of Chapter Eleven: Evaluation & Control.
26	Mid-term exam.
27	Class discussion of fairly complex case focusing on situation analysis.
28	Continuation of case discussion focusing on alternatives.
29	Lecture/discussion of Web Chapter on Technology & Innovation.
30	Class discussion of a complex technology case focusing on situation analysis.
31	Continuation of case discussion focusing on alternatives.

EXHIBIT 3 (Continued)

<u>DAY</u>	<u>ACTIVITY</u>
32	Lecture/discussion of Web Chapter on Entrepreneurial Ventures & Small Businesses.
33	Class discussion of an entrepreneurial case focusing on situation analysis.
34	Continuation of case discussion focusing on alternatives.
35	Lecture/discussion of Web Chapter on Not-For-Profit Organizations.
36	Midterm Exam.
37- 44	Management simulation or team projects.
45	Final Exam/Paper.

STRATEGIC MANAGEMENT
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PART B

CHAPTER NOTES

CHAPTER ONE

BASIC CONCEPTS OF STRATEGIC MANAGEMENT

This chapter sets the stage for the study of strategic management and business policy. It summarizes research supporting the conclusion that those corporations that are able to learn from their experiences and manage strategically perform at a higher level than corporations which do not. It describes a number of triggering events which act to initiate strategic change in most organizations. A normative model of strategic management is presented as the basic structure underlying the book. Key concepts are defined and explained as part of the discussion of the model. The chapter also introduces the strategic audit as a method of operationalizing strategic decision making.

TOPICS COVERED

- Phases of strategic management.
- Benefits of strategic management.
- Globalization and environmental sustainability as challenges to strategic management.
- Theories of organizational adaptation
- The learning organization.
- Basic model of strategic management.
- Triggering events initiating strategy.
- Mintzberg's modes of strategic decision making.
- Strategic decision making process.
- The strategic audit.

SUGGESTED ANSWERS TO DISCUSSION QUESTIONS

1. Why has strategic management become so important to today's corporations?

Research indicates that organizations that engage in strategic management generally outperform those that do not. The attainment of an appropriate match or fit between an organization's environment and its strategy, structure, and processes has positive effects on the organization's performance. The three most highly-rated benefits of strategic management are a clearer sense of a firm's strategic vision, a sharper focus on what is strategically important, and an improved understanding of a rapidly changing environment. As the world's environment becomes increasingly complex and changing, strategic management is used by today's corporations as one way to make the environment more manageable.

2. How does strategic management typically evolve in a corporation?

Strategic management in a corporation appears to evolve through four sequential phases according to Gluck, Kaufman and Walleck. Beginning with basic financial planning, it develops into forecast-based planning, and then into externally-oriented planning, and finally into a full-blown strategic management system. The evolution is most likely caused by increasing change and complexity in the corporation's external environment. The phases are thus

likely to be characterized by a change from primarily an inward-looking orientation in the first phase to primarily an outward-looking orientation in the third phase, and to a more integrative orientation in the final strategic management phase with equal emphasis on both the external and internal environments.

3. What is a learning organization? Is this approach to strategic management better than the more traditional top-down approach in which strategic planning is primarily done by top management?

Simply put, a learning organization is one which is able to learn from its experiences. In reality, it is much more complicated. The text points out that learning organizations are skilled at four main activities: (1) systematic problem solving, (2) experimenting with new approaches, (3) learning from their own experience and past history as well as from the experiences of others, and (4) transferring knowledge quickly and efficiently throughout the organization. This means that people at all levels, not just top management, need to be involved in strategic management - by helping to scan the environment for critical information, suggesting changes to strategies and programs to take advantage of environmental shifts, and working with others to continuously improve work methods, procedures, and evaluation techniques. Research indicates that those organizations that are willing to experiment and able to learn from their experiences are more successful than are those which do not.

Top-down strategic management assumes that only top management is in a position to contribute to strategic planning. This approach can work reasonably well in bureaucratic organization with very little horizontal communication. Top-down strategic planning forces all units to get involved in the planning process and makes sure that all units fit into the overall corporate mission, objectives, strategies, and policies. A limitation of the top-down approach is that all motivation comes from the top and lower units may simply go through the motions in order to please the boss. The likelihood of fresh, new strategic concepts at lower levels of the organization becomes less, the more the stimulus for strategic planning comes from above.

4. Why are strategic decisions different from other types of decisions?

Strategic decisions deal with the long-run future of the entire organization and have three characteristics which differentiate them from other types of decisions: (1) They are rare. Strategic decisions are unusual and typically have no precedent to follow; (2) They are consequential. Strategic decisions commit substantial resources and demand a great deal of commitment; (3) They are directive. Strategic decisions set precedents for lesser decisions and future actions throughout the organization. See *Top Decisions: Strategic Decision-Making in Organizations* by Hickson, Butler, Cray, Mallory, and Wilson for further discussion.

5. When is the planning mode of strategic decision making superior to the entrepreneurial and adaptive modes?

The planning mode is generally superior to the entrepreneurial and adaptive modes when the organization is fairly large, when knowledge is spread throughout the organization, and when the organization has at least a moderate amount of time to engage in strategic planning. The book proposes that the planning mode is more rational and thus a better way of making most strategic decisions. It may not, however, always be possible. The entrepreneurial mode can be very useful when time is short, one person or group is able to grasp the essentials of the business and its environment, and that person or group is able to influence the rest of the organization to accept its strategic decision. The adaptive mode is generally not considered to be very effective in most situations, but seems to be the fallback mode when entrepreneurial or planning modes can't operate effectively because of political infighting or lethargy.

ADDITIONAL DISCUSSION QUESTIONS

A1. What is meant by a hierarchy of strategy?

A hierarchy of strategy is a term used to describe the interrelationships among the three levels of strategy (corporate, business, and functional) typically found in large business corporations. Beginning with the corporate level, each

level of strategy forms the strategic environment of the next level in the corporation. This means that corporate level objectives, strategies, and policies form a key part of the environment of a division or business unit. The objectives, strategies, and policies of the division or unit must therefore be formulated so as to help achieve the plans of the corporate level. The same is true of functional departments which must operate within the objectives, strategies, and policies of a division or unit.

A2. Does every business firm have business strategies?

Every business firm should have a business strategy for every industry or market segment it serves. A business strategy aims at improving the competitive position of a business firm's products or services in a specific industry or market segment. Firms must therefore have business strategies even if they are not organized on the basis of operating divisions. Nevertheless, it is still possible that some business firms do not have clearly stated business strategies. If they hope to be successful, however, they must have at least some rudimentary (even though unstated) position they take in terms of getting and keeping customers or clients.

A3. What information is needed for the proper formulation of strategy? Why?

In order to properly formulate strategy, it is essential to have information on the important variables in both the external and internal environments of the corporation. This includes general forces in the societal environment as well as the more easy-to-identify groups such as customers and competitors in the task environment. A corporation needs to have this information in order to identify a need it can fulfill via its corporate mission. It is also important to have information on the corporation's structure, culture, and resources. A corporation needs to have this information in order to assess its capabilities to satisfy a customer's need by making and/or distributing a product or service. Information on both the internal and external environments can also help a corporation to predict likely opportunities and threats. Long-term strategies can be designed with these in mind.

A4. Reconcile the strategic decision-making process depicted in Fig. 1.5 with the strategic management model depicted in Fig. 1.2.

The strategic management model depicts the key input variables (internal and external environments) and the key output factors (mission, objectives, strategy, and policies). It shows how strategy formulation, implementation, and evaluation and control are related and how a change in any one factor (e.g., corporate objectives) affects other factors (e.g., strategies, policies, programs, budgets, procedures, evaluation and control techniques). This model, however, does not depict how these output factors are generated. In contrast, the strategic decision-making model depicts how the process of strategic management happens in the form of strategic decisions. It is a series of interrelated activities depicted as eight distinct steps. These two models therefore complement one another and are very useful in increasing one's understanding of strategic management.

SUGGESTIONS FOR STRATEGIC PRACTICE EXERCISE

This end of chapter exercise is a good way to motivate students to apply some of the concepts in the chapter, particularly those from the strategic management model. There are a lot of bad mission statements being written. The most blatant are the ones that simply say "Our mission is to build shareholder value."

The text states that a good mission statement should define the fundamental, unique purpose that sets the company apart from other firms of its type and identifies the scope of the company's operations in terms of products offered and markets served. It may also include the firm's philosophy about how it does business and treats its employees. It puts into words not only what the company is now, but what it wants to become - management's strategic vision of the firm's future. Simply put, a good mission statement tells who we are, what we do, and what we'd like to become.

Andrew Campbell proposes ten questions for evaluating a mission statement. Both exercises request the reader to use Campbell's questions as a starting point to develop suitable criteria for evaluating any mission statement.

- *Exercise 1: Evaluate the mission statement of Celestial Seasonings.*

This is a good example of a mission statement. Even if someone had never heard of Celestial Seasonings, the mission statement tells clearly that this is a company which makes specialty teas. Its scope of operations is natural hot and iced teas. Its domain is the U.S. specialty tea market. Its strategic vision is to grow and dominate this market by satisfying the customer more than does the competition. It indicates a strong quality orientation and a focus on continuous improvement. This mission statement does a good job of establishing a solid foundation upon which can be built objectives, strategies, and policies as part of strategy formulation. Depending upon one's answers to Campbell's ten questions, the Celestial Seasonings mission statement could earn a total score of around 12. (1=Y; 2=S; 3=S; 4=Y; 5=S; 6=S; 7=S; 8=N; 9=S; 10=Y for a total of 11.) Ask the class if they agree that all of Campbell's ten questions are equally important. Should some be dropped and others added? Why?

- *Exercise 2: Using the Internet, find the mission statements of three different organizations and tell which is best. Why?*

This is a good exercise to encourage students to begin Internet research. This exercise serves two purposes. It gets everyone up to speed in terms of doing Internet research. It also forces them to re-read chapter one to get a solid understanding of what differentiates a good from a poor mission statement. Encourage them to use Campbell's ten questions to develop criteria. You can give them this assignment on the first day of class and then use the second day to discuss chapter one and the various mission statements people have found. This is a good way to encourage student participation in the class.