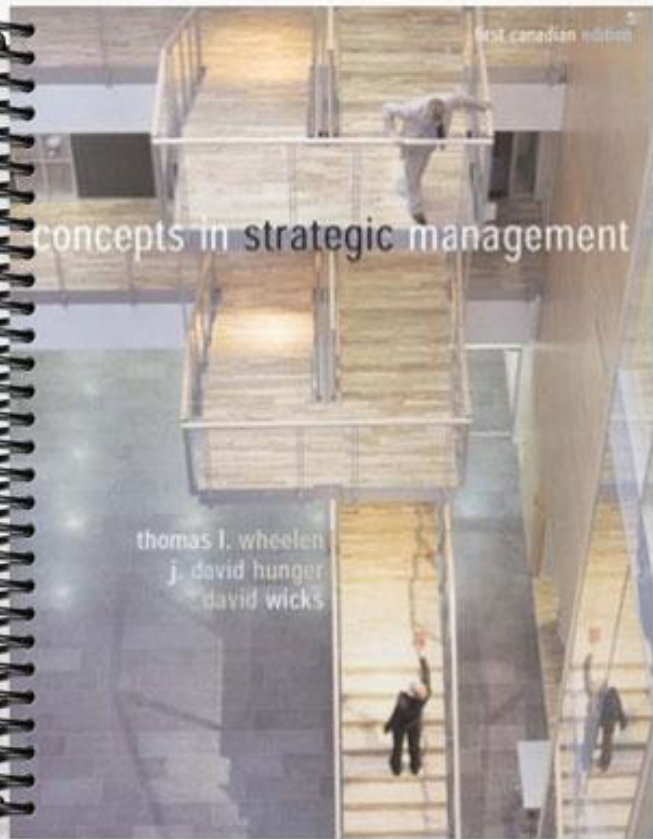


SOLUTIONS MANUAL



first canadian edition

concepts in strategic management

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INSTRUCTOR'S MANUAL

Concepts in Strategic Management

Canadian Edition

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Toronto

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April 2004

Dear Colleague:

We have personally prepared this instructor's manual for *Concepts in Strategic Management*, Canadian Edition, with you in mind.

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

Part A. SUGGESTIONS FOR TEACHING STRATEGIC MANAGEMENT

- Suggestions for case method teaching
- Possible course outline

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
- Guidelines for applied exercises that can be used for student reports/presentations
- Individual components of an integrated strategic management case study
- Supplementary lecture modules as available

Part C. PART-ENDING VIDEO CASE NOTES

- Possible ways to use the video case
- Application of concepts in the chapters

We wish you the best and welcome your comments and suggestions.

Sincerely,

David Wicks
Saint Mary's University
Halifax, Nova Scotia

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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 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 jocks" 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 Notes at the end of Part B of this 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 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 and adjust for inflation, if appropriate. Any obvious problem areas?
2. Read the teaching note for the case. 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 or third day 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 discussion during the first half. It may also be used during the first half instead of open class 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 blackboard 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 two or three 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.

Strategic Management Applications

In my experience, one of the best ways to make strategic management easy to understand for students is to be able to have them apply the concepts from the textbook to what is actually going on in the world around them. Abstract concepts and theories can appear complicated and unhelpful until students can see how organizations of all types have to deal with them on a daily basis. I have therefore included guidelines to do this in two different ways. One is a short research assignment where students are required to find examples of course concepts in the popular press. My preference is to have these reported back to the class in a short oral group presentations. They could, of course, be submitted in writing (individually or in groups). The other is an integrated case study that students actually conduct themselves. Students (individually or in groups) choose an organization they wish to study. For each chapter in the textbook, instructions are given to guide students through the various aspects of a strategic analysis. By the end of the course, they will have the basis for a complete set of strategic organizations for the organization they studied.

1. Strategic Management in the Popular Press

In order to show students how the concepts of strategic management important in understanding what organizations are doing on a regular basis, consider getting students to find articles in the popular press that exemplify concepts, issues and/or techniques discussed in this textbook. Have students research some aspects of strategic management and submit short written reports or make brief presentations to the class. In the process of doing this, students will learn something about Canadian businesses and develop research skills that will benefit them in further pursuits. The notes on each chapter contained in this Instructor's Manual will give suggestions that focus the research students should perform in order to illustrate different aspects of the strategic management process.

Provide student some general instructions about how to conduct the type of research you desire. For example, instruct students to read the business pages of the *Globe & Mail* or *National Post* and/or search on CBCA for examples of organizations dealing with the issues raised in each chapter. This should be an interesting exercise for students because it will make the concepts discussed in the course seem more "real world" and thus useful and memorable.

2. *Strategic Management Case Study*

One way to integrate the concepts of strategic management is to have students, individually or in groups, conduct a case study of one organization. Students will pick one organization to study over the duration of the course, so each aspect of the strategic management model can be related to the problems faced by one particular organization. . The notes on each chapter contained in this Instructor's Manual will provide questions that can guide students' inquiry into different aspects of their chosen organization. This series of questions can then be used to assemble a comprehensive strategic study of the organization, from an analysis of the organization and its environment to a set of recommendations intended to improve its performance. The findings of these studies can be submitted in writing, presented to the organizations studies or to the class.

Possible Course Outline

Different instructors have different biases in favor of 90-minute classes meeting twice a week or 3-hour classes meeting once a week. I have structured these class schedules around meeting once a week for three hours. I give students a 15 minute break at the mid-point of the class, and tend to do something very different in each half of the class. This is therefore a logical way to modify this schedule for classes that meet twice a week if that is how your institution schedules the course.

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. Using the strategic audit will help students to competently analyze their first comprehensive case even if they have not gone beyond Chapter Seven. In my opinion it is never too early to start with oral presentations. The instructor's expectations obviously need to be consistent with the material that is learned, and cases need to be chosen that highlight the material from the chapters that have been covered in class. The first cases should emphasize strategy formulation over implementation and be reasonably easy to analyze with each following case increasing in difficulty. I always devote a portion of the first class to outlining my expectations on all aspects of the course, especially case analysis and the way in which they are presented.

EXHIBIT 1

COURSE OUTLINE FOR 13 CLASS MEETINGS OF 3 HOURS EACH

Class 1	<p>Introduction to Course Writing and presentation skills for business Expectations of instructor and students The strategic management process <u>Readings:</u> Chapter 1, Appendix</p>
Class 2	<p>Business ethics and social responsibility <u>Readings:</u> Chapter 2 <u>Exercise:</u> Part 1 Video Case</p>
Class 3	<p>Assessing the business environment <u>Readings:</u> Chapter 3 <u>Exercise:</u> Practice case analysis #1 ¹</p>
Class 4	<p>Assessing organizational resources and capabilities <u>Readings:</u> Chapter 4 <u>Exercise:</u> Part 2 Video Case</p>
Class 5	<p>Situational analysis and business strategy <u>Readings:</u> Chapter 5 <u>Exercise:</u> Part 3 Video Case (Nova Scotian Crystal)</p>
Class 6	<p>Corporate strategy <u>Readings:</u> Chapter 6 <u>Exercise:</u> Part 3 Video Case (Tyler Brûlé)</p>
Class 7	<p>Functional strategy and strategic choice <u>Readings:</u> Chapter 7 <u>Exercise:</u> Practice case analysis #2</p>
Class 8	<p>Strategy Implementation <u>Readings:</u> Chapters 8 & 9 Student Case Presentations ²</p>

¹ Cases chosen from the library of cases at Pearson Education Canada are used here both for class discussions and for group case assignments.

² Most courses in strategic management make extensive use of student case presentations. Class size usually dictates this is done in groups. This class schedule is designed to accommodate nine presentations of approximately 60 minutes each (presentations plus ensuing discussion).

Class 9	Strategic Control and Governance <u>Readings</u> : Chapter 10 Student Case Presentations
Class 10	Strategic Issues in Non-profit Organizations <u>Readings</u> : Chapter 11 Student Case Presentations
Class 11	Student Case Presentations
Class 12	Student Case Presentations
Class 13	Summary, Review and Preparation for Final Exam ³

³ If a review class is not required and/or no final exam is being given, consider using an earlier class for a mid-term exam, or have an additional case used for practice purposes. My experience has shown that students always appreciate the opportunity to work through a case as a group prior to doing one themselves for marks.

PART B

CHAPTER NOTES

CHAPTER ONE

BASIC CONCEPTS OF STRATEGIC MANAGEMENT

This chapter sets the stage for the study of strategic management. It tells how the field of study evolved out of the integrative concerns of business policy into the more environmentally-oriented area of strategic management. It also summarizes research supporting the conclusion that those organizations that manage strategically perform at a higher level than organizations that 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.

TOPICS COVERED

- Phases of strategic management.
- Benefits of strategic management.
- Causes of organizational success and failure
- Globalization and electronic commerce as challenges to strategic management.
- Theories of organizational adaptation
- The learning organization.
- Basic model of strategic management.
- Triggering events initiating strategy.
- Mintzberg's forms of strategy and modes of strategic decision making.
- Strategic decision making process.

SUGGESTED ANSWERS TO DISCUSSION QUESTIONS

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

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. Bruce Henderson, founder of the Boston Consulting Group, pointed out that a firm cannot afford to follow intuitive strategies once it becomes large, has layers of management, or its environment changes substantially. As the world's environment becomes increasingly complex and changing, strategic management is used by today's organizations as one way to make the environment more manageable.

2. How does strategic management typically evolve in an organization?

Strategic management in an organization 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?

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