# Contents

Preface xi
Getting the Most from *Fundamentals of Strategy* xiii
Guided Tour xvi

## 1 Introducing Strategy

1.1 Introduction 2
1.2 What is strategy? 2
  1.2.1 The characteristics of strategic decisions 2
  1.2.2 Levels of strategy 7
  1.2.3 The vocabulary of strategy 8
1.3 Strategic management 12
  1.3.1 The strategic position 14
  1.3.2 Strategic choices 15
  1.3.3 Strategy in action 16
1.4 Strategy development processes 16
Summary 18
Recommended key readings 18
References 19
Case example: *Electrolux* 20

## 2 The Environment

2.1 Introduction 24
2.2 The macro-environment 25
  2.2.1 The PESTEL framework 25
  2.2.2 Building scenarios 27
2.3 Industries and sectors 29
  2.3.1 Competitive forces – the five forces framework 30
  2.3.2 Implications of five forces analysis 35
  2.3.3 Key issues in using the five forces framework 37
  2.3.4 The industry life cycle 38
2.4 Competitors and markets 41
  2.4.1 Strategic groups 42
  2.4.2 Market segments 46
  2.4.3 Identifying the strategic customer 47
  2.4.4 Understanding what customers value – critical success factors 48
5 Culture and Strategy

5.1 Introduction

5.2 Strategic drift

5.2.1 Strategies change incrementally

5.2.2 The tendency towards strategic drift

5.2.3 A period of flux

5.2.4 Transformational change or death

5.3 What is culture and why is it important?

5.3.1 National and regional cultures

5.3.2 Organisational culture

5.3.3 Organisational subcultures

5.3.4 Culture's influence on strategy

5.3.5 Analysing culture: the cultural web

5.3.6 Undertaking cultural analysis

Summary

Recommended key readings

References

Case example: Marks & Spencer (A)

6 Business-Level Strategy

6.1 Introduction

6.2 Bases of competitive advantage: the 'strategy clock'

6.2.1 Price-based strategies (routes 1 and 2)

6.2.2 (Broad) differentiation strategies (route 4)

6.2.3 The hybrid strategy (route 3)

6.2.4 Focused differentiation (route 5)

6.3 Sustaining competitive advantage

6.3.1 Sustaining price-based advantage

6.3.2 Sustaining differentiation-based advantage

6.3.3 Strategic lock-in

6.3.4 Responding to competitive threat

6.4 Competition and collaboration

Summary

Recommended key readings

References

Case example: Madonna: still the reigning queen of pop?
7 Strategic Directions and Corporate-Level Strategy

7.1 Introduction
7.2 Strategic directions
    7.2.1 Market penetration
    7.2.2 Consolidation
    7.2.3 Product development
    7.2.4 Market development
    7.2.5 Diversification
7.3 Reasons for diversification
    7.3.1 Related diversification
    7.3.2 Unrelated diversification
    7.3.3 Diversification and performance
7.4 Value creation and the corporate parent
    7.4.1 Value-adding and value-destroying activities of corporate parents
7.5 Portfolio matrices
    7.5.1 The growth/share (or BCG) matrix
    7.5.2 The directional policy (GE-McKinsey) matrix
Summary
Recommended key readings
References
Case example: The Virgin Group

8 International Strategy

8.1 Introduction
8.2 Internationalisation drivers
8.3 National and international sources of advantage
    8.3.1 Porter's National Diamond
    8.3.2 The international value network
8.4 International strategies
8.5 Market selection and entry
    8.5.1 Market characteristics
    8.5.2 Competitive characteristics
    8.5.3 Entry modes
Summary
Recommended key readings
References
Case example: Lenovo Computers: East meets West

9 Strategy Methods and Evaluation

9.1 Introduction
9.2 Methods of pursuing strategies
    9.2.1 Organic development
9.2.2 Mergers and acquisitions 233
9.2.3 Strategic alliances 236
9.3 Strategy evaluation 240
  9.3.1 Suitability 241
  9.3.2 Acceptability 246
  9.3.3 Feasibility 253

Summary 256
Recommended key readings 256
References 256
Case example: *Tesco conquers the world?* 258

10 Strategy in Action 261
  10.1 Introduction 262
  10.2 Structures 263
    10.2.1 The functional structure 263
    10.2.2 The multidivisional structure 265
    10.2.3 The matrix structure 267
  10.3 Organisational processes 269
    10.3.1 Direct supervision 269
    10.3.2 Planning processes 270
    10.3.3 Cultural processes 271
    10.3.4 Performance targeting processes 273
    10.3.5 Market processes 274
  10.4 Managing strategic change 276
    10.4.1 Roles in managing change 276
    10.4.2 Styles of managing change 278
    10.4.3 Levers for managing change 281

Summary 285
Recommended key readings 286
References 286
Case example: *NHS Direct* 288

Glossary 293
Index of Names 299
General Index 302
Publisher's Acknowledgements 312