

STRATEGIC MANAGEMENT

Thinking • Analysis • Action

Sixth edition



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John Rice
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Preface

Strategy is generally only successful when it's distinctive. Among the offerings of various strategy textbooks, we hope that the distinctive elements of this edition capture your interest and enthusiasm for the subject.

General advantages

The text:

- is rigorous, yet concise and easy to read
- is comprehensive, yet understandable
- is theoretically strong, covering all theories and major research, yet has a practical, unifying and integrated theme in the environment–strategy–capability gap analysis model
- covers all types of organisations, not just listed companies
- incorporates sustainability as an integrated concept for strategy throughout the book
- considers dynamic and interactive aspects of strategy over time, as well as the traditional perspectives
- has an effective balance of Australian and international content, both in the text and the cases
- has a great set of cases from renowned international and local case writers, that cover all of the main elements of the book
- has a set of questions at the end of each chapter to test your knowledge of key concepts.

For postgraduates

The text:

- is written with practical usage in mind, highlighting issues that people with experience will understand
- includes worksheets and templates that can be used in real organisations, not just classrooms
- provides challenging alternative perspectives on major strategic issues, so that experienced students have more than one perspective to consider
- has access via the website to an outline for preparing a strategic business plan, perhaps the most used tool in practical strategy.

For undergraduates

The text:

- makes strategy concepts comprehensible to students without practical experience
- has real-life mini-cases to open each chapter, making the material accessible to those with limited working backgrounds
- is theoretically strong, for those seeking to teach and learn from a theoretical perspective
- includes learning objectives, illustration capsules of strategy at work and summaries for each chapter.

This sixth edition of *Strategic Management: Thinking, Analysis, Action* reflects the combination of the major thoughts the authors have had about the teaching and practice of strategy and strategic management over the 25 years we have been working in this area. It reflects the stream of thinking of all its predecessors. We have tried to capture the developments that we have seen and experienced in our thinking, research and consulting, as well as to highlight those issues that will influence strategic thinking and practice in the future.

This edition brings together the contributions of Dr Graham Hubbard, Professor John Rice and Professor Peter Galvin. Graham works from Melbourne after many decades of academic roles in Australia. John is a Professor of Strategy, Entrepreneurship and Innovation at Zayed University in the United Arab Emirates and Peter is Professor of Strategy at Curtin University in Perth.

Together, the three of us bring a variety of perspectives to this book, consistent with the needs of practical strategic solutions. In the title, the term *thinking* reflects a critical element of strategy, which is considerably under-emphasised in the field. Most texts concentrate on developing tools of analysis, but mere mechanical application of good analytical tools will not give the insights needed for successful strategy development. It is the thinking in the choice and use of tools, or in understanding the analysis that can emerge from those tools, that is necessary for analytical success.

The title also emphasises *action*, or implementation. Three chapters are devoted to this area of strategy, which is critical for strategy to succeed. Many people can successfully conduct strategic analysis, but too few can successfully implement strategy, so these three chapters are very important and might easily have been six, such is the volume of issues raised.

Though written primarily for Australian or New Zealand students, or students studying under Australian or New Zealand curricula elsewhere, the book assumes an *international perspective*. Virtually all organisations these days are affected by international issues, whether through suppliers, operations, competitors or customers, but we view them here from a local perspective.

If desired, the book allows lecturers to take a more theoretical perspective than is normally possible in strategy texts. This suits undergraduate courses where students have little practical experience and where conceptual principles are being developed. However, experience has shown that postgraduate students seeking a more conceptual understanding also find this emphasis valuable. Chapter 1, in particular, outlines the wide variety of different theoretical approaches that currently coexist in the strategy field, and uses the assessment of a common strategic issue to demonstrate how the perspective taken will affect the analysis and resulting recommendations for improvement. While a consistent approach is taken throughout the book, where possible each chapter introduces the effects of different theories to demonstrate to students the importance of understanding the implicit assumptions they may be making in their own analysis. References to much of the research literature are included in chapter endnotes for those students or instructors with a research orientation or wishing to follow up a particular topic.

For undergraduate students, each chapter has learning objectives, opening mini-cases and illustrative features (called 'Strategy @ work') for students and instructors to use. The learning objectives outline the main issues discussed in the chapter. The mini-cases at the

start of each chapter provide small, accessible illustrations of practical examples of issues detailed in the chapter. The 'Strategy @ work' illustrative features provide examples of key ideas.

For postgraduate students the book features many practical worksheets, which have been popular and successful for real strategic analysis and implementation and which we use. Experienced students will find that these worksheets can be used to develop a practical, but theoretically sound, business plan that actually works! In this way, we have tried to keep a balance between introducing a strong theoretical and conceptual background, and making the book valuable to practitioners and experienced postgraduate students.

The book features chapters on several important practical issues that are not well highlighted in most texts:

- The book is based on the *integrated environment–strategy–capability gap analysis framework* for business strategy analysis. This integrated E–S–C gap analysis approach favourably surprises most experienced strategy students whose previous experience is with interesting strategic concepts, but ones that are not well integrated. This E–S–C gap framework provides a comprehensive integration of strategy concepts at the business strategy level—the main level for strategy analysis.
- We have always found that students have a poor understanding of *organisational performance*, despite its fundamental importance to the field. Consequently, a whole chapter—Chapter 5—covering shareholder value, stakeholder theory, balanced scorecard and sustainability conceptual approaches, together with important practical issues of presentation, communication and traps in performance communication, is devoted to this issue.
- Chapter 6 includes a practical section on *identifying gaps* between the elements of the conceptual analytical framework. This concept is often ignored in texts, but it is very important—both for organisations with real strategic issues, and for ensuring that a logical and comprehensive approach is taken—that all the points of analysis are in fact captured.
- Chapter 7 is devoted to *decision-making processes*, critical to what choices are undertaken. Consideration of this step in strategic thinking, analysis and action is usually omitted.
- Chapter 8 introduces a higher level of business strategy analysis—dynamic strategic *interactions between competitors* played out over time—using game theory principles as the theoretical base.
- Chapter 10 is devoted to the very important issues of *mergers and acquisitions* and *alliances*, including their implementation. These strategic activities are now integral to the growth, development and performance of organisations.
- Chapter 11 addresses *international strategy* issues, which are now commonplace for most organisations, whether in terms of production, sales or suppliers.
- Chapters 12 to 14 discuss the undervalued *implementation process*, which is vital for true success in strategic management.
- A practical framework for *preparing a business plan*—one of the most important practical tasks for many students who become involved in strategy within their organisations—is accessible on the website. This issue of great practical importance is rarely addressed in texts.
- *Opening mini-cases* begin each chapter to bring life to the issues in the chapter.

- The issue of *sustainability* is incorporated specifically in each chapter, recognising the new environment that organisations will have to deal with in the future.
- *Ten brand-new cases* have been written, covering a wide variety of international and Australian situations, industries and organisation types.

In terms of producing this edition in particular, we would like to thank Nina Sharpe, Judith Bamber, Bernadette Chang, Kim Morgan and Sandra Balonyi for their assistance during the various stages of the publishing process. Their enthusiastic support and efficient and helpful processing has been greatly appreciated!

We hope that this sixth edition of the book continues to be well received by instructors and students, and we encourage you, the reader, to provide us with direct feedback in the hope of continuing to improve the ideas incorporated here and their representation in future.

**Professor John Rice,
Dr Graham Hubbard and
Professor Peter Galvin**

About the authors

Graham Hubbard

Graham Hubbard was Professor of Strategic Management in the School of Business at the University of Adelaide. Previously he was Head of the Graduate School of Business at the University of Adelaide, Professor of Strategic Management at Mt Eliza Business School and Head of the Marketing Group at RMIT University. He has also taught at Monash, Melbourne, Deakin and Swinburne Universities in Australia, Cranfield School of Management in the UK and the Carlson School of Management, University of Minnesota. He has consulted to many organisations, including AAMI, IAG, Medtronic Australia, BHP Billiton, Monash University, the National Wine Centre, Chartered Institute of Purchasing and Supply, Taylors Wines and CGU.

Graham Hubbard is the author or co-author of numerous books, mainly in the area of strategic management, including *The first XI: winning organisations in Australia* and *Practical Australian strategy* and three books of case studies of real organisations designed for MBA and executive programs. He is the co-designer of the Environment–Strategy–Capability (ESC) Gap Analysis strategic framework, the Performance Cube and sustainable balanced scorecard organisational performance measurement frameworks, and the Winning Wheel framework for managing winning organisations.

In 2013, Graham was awarded a Citation of Excellence—one of only 50 in the world—for his article, 'Measuring organizational performance: beyond the triple bottom line'.

Graham holds a PhD from the University of Melbourne, for his work 'A strategic analysis of takeover behaviour in Australia', an MBA from Cranfield University, UK and BEc from the University of Adelaide.

John Rice

John Rice is a Professor of Strategy, Entrepreneurship and Innovation at Zayed University's Abu Dhabi campus. He has previously worked at Griffith University and the Universities of Adelaide, Canberra and New England. He has taught at undergraduate and postgraduate levels for more than two decades in Australia, Singapore, Hong Kong, the Middle East and China. He has authored four strategic management texts and numerous teaching cases in the strategy area.

John's research interests include innovation, strategic management, climate change and education policy. He has worked in an executive leadership role in a government research agency and has also worked in local government and funds management. He has published widely, including more than 50 refereed journal articles in many leading academic journals.

John's PhD (in strategic alliance management) was awarded by Curtin University. He has other postgraduate degrees from the University of Adelaide, QUT and Griffith University.

Peter Galvin

Peter Galvin is Professor of Strategic Management at the School of Management, Curtin University in Perth, Western Australia, and has held the roles of Deputy Dean and MBA Director at the Curtin Graduate School of Business. He has previously held positions in Newcastle Business School,

Northumbria University, California Polytechnic State University (part of the California State University system) and Queensland University of Technology (QUT). Peter has held visiting positions at Ilmenau University of Technology (Germany), ESC Toulouse (France) and the Hariman School of Management, State University of New York, at Stony Brook. Outside of these positions, Peter has taught in South Africa, Malaysia, Singapore, Brunei, Indonesia, Hong Kong and Thailand.

Peter has won university and faculty level teaching awards and in 2009 was a recipient of a National Citation for 'Outstanding Contribution to Student Learning' from the Australian University Learning and Teaching Council. Peter has subsequently been an assessor for the same organisation to assist in determining the winners of different national teaching awards.

In 2011, Peter moved into the role of Editor-in-Chief of the *Journal of Management & Organization* (Cambridge University Press) following a period as an Associate Editor. His research covers a range of strategic management topics and has been published in a number of outlets ranging from the *Journal of Business Ethics* to *Managerial and Decision Economics*. Peter has supervised more than 20 doctoral students to successful completion of their degrees.

Prior to moving into academia, Peter worked in management consulting and he continues to consult through Curtin University to a range of local and international organisations. He has been a board member of the Australian and New Zealand Academy of Management and is a member of the Academy of Management and the British Academy of Management, and a Life Member of the Australian and New Zealand Academy of Management.

Peter has a PhD and BCom (Hons) from the University of Western Australia.

Educator resources

A suite of resources is provided to assist with delivery of the content, as well as to support teaching and learning.

Solutions Manual

The Solutions Manual provides educators with detailed, accuracy-verified solutions to in-chapter and end-of-chapter problems in the book.

Test Bank

The Test Bank provides a wealth of accuracy-verified testing material. Updated for the new edition, each chapter offers a wide variety of question types, arranged by learning objective and tagged by AACSB standards.

Questions can be integrated into Blackboard or Moodle Learning Management Systems.

Lecture slides

A comprehensive set of PowerPoint slides can be used by educators for class presentations or by students for lecture preview or review. They include key figures and tables, as well as a summary of key concepts and examples from the course content.

Digital image PowerPoint slides

All the diagrams and tables from the course content are available for lecturer use.