

Gregory G. Dess
University of Texas at
Dallas

G. T. Lumpkin
Syracuse University

Alan B. Eisner
Pace University

Gerry McNamara
Michigan State
University

Strategic Management

text and cases

sixth edition

Mc
Graw
Hill

McGraw-Hill
Irwin

Contents

Preface ix

part 1 Strategic Analysis

Chapter 1

Strategic Management: Creating Competitive Advantages 2

Strategy Spotlight 1.1: How CEO George Buckley Turned Around 3M. 6

What Is Strategic Management? 7

Defining Strategic Management 8

The Four Key Attributes of Strategic Management 9

The Strategic Management Process 10

Strategy Spotlight 1.2: Ambidextrous Behaviors: Combining Alignment and Adaptability 11

Intended versus Realized Strategies 11

Strategy Analysis 12

Strategy Formulation 14

Strategy Implementation 14

The Role of Corporate Governance and Stakeholder Management. 15

Alternative Perspectives of Stakeholder Management . . . 16

Strategy Spotlight 1.3: NGOs: A Key Stakeholder Group 19

Strategy Spotlight 1.4: How Goldcorp Used Crowdsourcing to Strike Gold! 20

Social Responsibility and Environmental Sustainability: Moving beyond the Immediate Stakeholders 20

The Strategic Management Perspective: An Imperative throughout the Organization 24

Strategy Spotlight 1.5: Socially Responsible Investing (SRI): Can You Do Well by Doing Good? 25

Ensuring Coherence in Strategic Direction 26

Organizational Vision 26

Strategy Spotlight 1.6: Strategy and the Value of Inexperience 27

Mission Statements 29

Strategic Objectives 30

Strategy Spotlight 1.7: How the James Irvine Foundation Redefined Its Mission 31

Summary 33

Chapter 2

Analyzing the External Environment of the Firm. 38

Creating the Environmentally Aware Organization 41

The Role of Scanning, Monitoring, Competitive Intelligence, and Forecasting 41

Strategy Spotlight 2.1: How Zara, a Spanish Retailer, Spots Opportunities 43

Strategy Spotlight 2.2: Ethical Guidelines on Competitive Intelligence: United Technologies. 44

Strategy Spotlight 2.3: Scenario Planning at PPG . . . 46

SWOT Analysis 46

The General Environment 47

The Demographic Segment 47

Strategy Spotlight 2.4: China's Growing Middle Class Helps Cargo Carriers Rebound from the Recession 49

The Sociocultural Segment 49

The Political/Legal Segment 50

The Technological Segment 50

Strategy Spotlight 2.5: How Microsoft "Gets Around" H-1B Visa Restrictions. 51

The Economic Segment 51

The Global Segment 52

Relationships among Elements of the General Environment 52

Strategy Spotlight 2.6: The Internet and Digital Technologies: Affecting Many Environmental Segments 54

The Competitive Environment. 55

Porter's Five-Forces Model of Industry Competition 55

Strategy Spotlight 2.7: Tuition Increases: Sometimes Students Have Low Bargaining Power. 58

Strategy Spotlight 2.8: The Growing Viability of Renewable Resources as Substitutes for Fossil Fuels. 60

How the Internet and Digital Technologies Are Affecting the Five Competitive Forces 61

Strategy Spotlight 2.9: Buyer Power in the Book Industry: The Role of the Internet 64

Using Industry Analysis: A Few Caveats 65

Strategic Groups within Industries 68

| | |
|---|----|
| Strategy Spotlight 2.10: Apple's iPod: Relationships with Its Complementors | 69 |
| Summary | 72 |

Chapter 3

Assessing the Internal Environment of the Firm 78

Value-Chain Analysis 81

| | |
|--|----|
| Strategy Spotlight 3.1: The Limitations of SWOT Analysis | 82 |
|--|----|

| | |
|-------------------------------------|----|
| <i>Primary Activities</i> | 83 |
|-------------------------------------|----|

| | |
|--|----|
| Strategy Spotlight 3.2: Security Risks in Mexico Have Led to Higher Shipping Costs | 85 |
|--|----|

| | |
|-------------------------------------|----|
| <i>Support Activities</i> | 86 |
|-------------------------------------|----|

| | |
|--|----|
| Strategy Spotlight 3.3: Crowdsourcing: RYZ's Potential Customers Become Its Marketing and Design Staff | 87 |
|--|----|

| | |
|--|----|
| Strategy Spotlight 3.4: Removing Individual Metrics in Performance Evaluations | 89 |
|--|----|

| | |
|--|----|
| <i>Interrelationships among Value-Chain Activities within and across Organizations</i> | 89 |
|--|----|

| | |
|---|----|
| <i>The "Prosumer" Concept: Integrating Customers into the Value Chain</i> | 90 |
|---|----|

| | |
|--|----|
| Strategy Spotlight 3.5: Timberland's Detoxification Initiative | 91 |
|--|----|

| | |
|--|----|
| <i>Applying the Value Chain to Service Organizations</i> | 92 |
|--|----|

Resource-Based View of the Firm 93

| | |
|--|----|
| <i>Types of Firm Resources</i> | 93 |
|--|----|

| | |
|--|----|
| <i>Firm Resources and Sustainable Competitive Advantages</i> | 95 |
|--|----|

| | |
|--|----|
| Strategy Spotlight 3.6: Blogs, Social Networking Sites, and Corporate Reputations: A Lethal Combination? | 96 |
|--|----|

| | |
|---|----|
| Strategy Spotlight 3.7: Amazon Prime: Very Difficult for Rivals to Copy | 99 |
|---|----|

| | |
|---|-----|
| Strategy Spotlight 3.8: How a Chinese Beverage Company Succeeded by Creating Close Partnerships with Its Distributors | 100 |
|---|-----|

| | |
|---|-----|
| <i>The Generation and Distribution of a Firm's Profits: Extending the Resource-Based View of the Firm</i> | 103 |
|---|-----|

Evaluating Firm Performance: Two Approaches 104

| | |
|---|-----|
| <i>Financial Ratio Analysis</i> | 104 |
|---|-----|

| | |
|--|-----|
| <i>Integrating Financial Analysis and Stakeholder Perspectives: The Balanced Scorecard</i> | 107 |
|--|-----|

| | |
|-------------------|-----|
| Summary | 111 |
|-------------------|-----|

Appendix to Chapter 3: How the Internet and Digital Technologies Add Value 116

Chapter 4

Recognizing a Firm's Intellectual Assets: Moving beyond a Firm's Tangible Resources 122

The Central Role of Knowledge in Today's Economy 124

Human Capital: The Foundation of Intellectual Capital 127

| | |
|---|-----|
| <i>Attracting Human Capital</i> | 128 |
|---|-----|

| | |
|--|-----|
| Strategy Spotlight 4.1: Going "Green" Helps Attract Talent | 129 |
|--|-----|

| | |
|---|-----|
| <i>Developing Human Capital</i> | 130 |
|---|-----|

| | |
|---|-----|
| Strategy Spotlight 4.2: Time Warner's Reverse Mentoring Program | 133 |
|---|-----|

| | |
|--|-----|
| <i>Retaining Human Capital</i> | 133 |
|--|-----|

| | |
|--|-----|
| <i>Enhancing Human Capital: The Role of Diversity in the Workforce</i> | 136 |
|--|-----|

The Vital Role of Social Capital 137

| | |
|---|-----|
| <i>How Social Capital Helps Attract and Retain Talent</i> | 137 |
|---|-----|

| | |
|--|-----|
| <i>Social Networks: Implications for Knowledge Management and Career Success</i> | 138 |
|--|-----|

| | |
|--|-----|
| Strategy Spotlight 4.3: Don't Go Away Mad . . . Now You Are a Valued Alum! | 139 |
|--|-----|

| | |
|---|-----|
| Strategy Spotlight 4.4: Picasso versus van Gogh: Who Was More Successful and Why? | 142 |
|---|-----|

| | |
|---|-----|
| <i>The Potential Downside of Social Capital</i> | 143 |
|---|-----|

| | |
|---|-----|
| Strategy Spotlight 4.5: Developing Social Capital: Do Women and Men Differ? | 144 |
|---|-----|

Using Technology to Leverage Human Capital and Knowledge 145

| | |
|--|-----|
| <i>Using Networks to Share Information</i> | 145 |
|--|-----|

| | |
|--|-----|
| <i>Electronic Teams: Using Technology to Enhance Collaboration</i> | 146 |
|--|-----|

| | |
|--|-----|
| <i>Codifying Knowledge for Competitive Advantage</i> | 147 |
|--|-----|

| | |
|---|-----|
| Strategy Spotlight 4.6: Videoconferencing: Allowing Employees to Communicate Face-to-Face over Long Distances | 148 |
|---|-----|

| | |
|--|-----|
| Strategy Spotlight 4.7: Crowdsourcing: How SAP Taps Knowledge Well beyond Its Boundaries | 149 |
|--|-----|

Protecting the Intellectual Assets of the Organization: Intellectual Property and Dynamic Capabilities 149

| | |
|---|-----|
| <i>Intellectual Property Rights</i> | 149 |
|---|-----|

| | |
|---------------------------------------|-----|
| <i>Dynamic Capabilities</i> | 151 |
|---------------------------------------|-----|

| | |
|---|-----|
| Strategy Spotlight 4.8: Research in Motion, Maker of the BlackBerry, Loses an Intellectual Property Lawsuit | 152 |
| <i>Summary</i> | 153 |

| | |
|--|-----|
| Strategy Spotlight 5.6: Reverse and Breakaway Positioning: How to Avoid Being Held Hostage to the Life-Cycle Curve | 190 |
| <i>Strategies in the Decline Stage</i> | 191 |
| <i>Turnaround Strategies</i> | 193 |
| Strategy Spotlight 5.7: Alan Mulally: Leading Ford's Extraordinary Turnaround | 194 |
| <i>Summary</i> | 195 |

part 2 Strategic Formulation

Chapter 5

| | |
|--|------------|
| Business-Level Strategy: Creating and Sustaining Competitive Advantages | 160 |
|--|------------|

| | |
|--|------------|
| Types of Competitive Advantage and Sustainability | 162 |
|--|------------|

| | |
|--|-----|
| <i>Overall Cost Leadership</i> | 164 |
| Strategy Spotlight 5.1: The Experience Curve | 165 |

| | |
|--|-----|
| Strategy Spotlight 5.2: Ryanair: A Highly Effective Overall Cost Leadership Strategy | 167 |
|--|-----|

| | |
|---|-----|
| <i>Differentiation</i> | 169 |
| Strategy Spotlight 5.3: Crowdsourcing: How Netflix Boosts Its Differentiation | 172 |

| | |
|---|-----|
| <i>Focus</i> | 174 |
| Strategy Spotlight 5.4: If You Can't Afford an Extremely Expensive Car . . . You Can Rent One | 175 |

| | |
|---|-----|
| <i>Combination Strategies: Integrating Overall Low Cost and Differentiation</i> | 176 |
|---|-----|

| | |
|--|------------|
| Can Competitive Strategies Be Sustained? Integrating and Applying Strategic Management Concepts | 179 |
|--|------------|

| | |
|---|-----|
| <i>Atlas Door: A Case Example</i> | 180 |
| <i>Are Atlas Door's Competitive Advantages Sustainable?</i> | 181 |

| | |
|--|------------|
| How the Internet and Digital Technologies Affect the Competitive Strategies | 182 |
|--|------------|

| | |
|--|-----|
| <i>Overall Cost Leadership</i> | 182 |
| <i>Differentiation</i> | 183 |

| | |
|--|-----|
| <i>Focus</i> | 184 |
| <i>Are Combination Strategies the Key to E-Business Success?</i> | 185 |

| | |
|---|-----|
| Strategy Spotlight 5.5: Liberty Mutual's Electronic Invoice System: Combining Low Cost and Differentiation Advantages | 186 |
|---|-----|

| | |
|---|------------|
| Industry Life Cycle Stages: Strategic Implications | 187 |
|---|------------|

| | |
|---|-----|
| <i>Strategies in the Introduction Stage</i> | 187 |
| <i>Strategies in the Growth Stage</i> | 189 |

| | |
|---|-----|
| <i>Strategies in the Maturity Stage</i> | 189 |
|---|-----|

Chapter 6

| | |
|---|------------|
| Corporate-Level Strategy: Creating Value through Diversification | 200 |
|---|------------|

| | |
|---|------------|
| Making Diversification Work: An Overview | 204 |
|---|------------|

| | |
|--|------------|
| Related Diversification: Economies of Scope and Revenue Enhancement | 206 |
|--|------------|

| | |
|--|-----|
| <i>Leveraging Core Competencies</i> | 206 |
| Strategy Spotlight 6.1: Procter & Gamble Leverages Its Core Competence in Marketing and (Believe It or Not!) Franchising | 207 |

| | |
|-------------------------------------|-----|
| <i>Sharing Activities</i> | 208 |
|-------------------------------------|-----|

| | |
|--|------------|
| Related Diversification: Market Power | 209 |
|--|------------|

| | |
|---|-----|
| <i>Pooled Negotiating Power</i> | 209 |
| <i>Vertical Integration</i> | 210 |

| | |
|---|-----|
| Strategy Spotlight 6.2: How 3M's Efforts to Increase Its Market Power Backfired | 211 |
|---|-----|

| | |
|---|-----|
| Strategy Spotlight 6.3: Vertical Integration at Shaw Industries | 212 |
|---|-----|

| | |
|---|------------|
| Unrelated Diversification: Financial Synergies and Parenting | 214 |
|---|------------|

| | |
|--|-----|
| <i>Corporate Parenting and Restructuring</i> | 214 |
| <i>Portfolio Management</i> | 216 |

| | |
|--|-----|
| <i>Caveat: Is Risk Reduction a Viable Goal of Diversification?</i> | 219 |
|--|-----|

| | |
|---|------------|
| The Means to Achieve Diversification | 220 |
|---|------------|

| | |
|---|-----|
| <i>Mergers and Acquisitions</i> | 220 |
| Strategy Spotlight 6.4: Effectively Managing the Human Side of Acquisitions | 224 |

| | |
|--|-----|
| Strategy Spotlight 6.5: Why Did Tyco International Sell a Majority Stake in One of Its Businesses? | 225 |
|--|-----|

| | |
|---|-----|
| <i>Strategic Alliances and Joint Ventures</i> | 226 |
| Strategy Spotlight 6.6: Crowdsourcing: How a Strategic Alliance Will Benefit Both Parties | 227 |

| | |
|---------------------------------------|-----|
| <i>Internal Development</i> | 228 |
|---------------------------------------|-----|

| | |
|--|------------|
| How Managerial Motives Can Erode Value Creation | 228 |
|--|------------|

| | | | |
|---|------------|--|------------|
| Strategy Spotlight 6.7: A Gourmet Deli Firm Leverages Its Core Competence and Creates a New Business | 229 | <i>International Strategy</i> | 257 |
| <i>Growth for Growth's Sake</i> | 229 | <i>Global Strategy</i> | 259 |
| Strategy Spotlight 6.8: Cornelius Vanderbilt: Going to Great Lengths to Correct a Wrong | 230 | <i>Multidomestic Strategy</i> | 260 |
| <i>Egotism</i> | 230 | Strategy Spotlight 7.7: Why Shell's Innovative Gasoline Product Backfired in Holland | 261 |
| Strategy Spotlight 6.9: How Antitakeover Tactics May Benefit Multiple Stakeholders, Not Just Management | 231 | Strategy Spotlight 7.8: Dealing with Bribery Abroad | 262 |
| <i>Antitakeover Tactics</i> | 232 | <i>Transnational Strategy</i> | 263 |
| <i>Summary</i> | 233 | <i>Global or Regional? A Second Look at Globalization</i> | 265 |
| Chapter 7 | | Entry Modes of International Expansion | 267 |
| International Strategy: Creating Value in Global Markets | 238 | <i>Exporting</i> | 268 |
| The Global Economy: A Brief Overview | 240 | <i>Licensing and Franchising</i> | 268 |
| Factors Affecting a Nation's | | <i>Strategic Alliances and Joint Ventures</i> | 269 |
| Competitiveness | 241 | Strategy Spotlight 7.9: Lamborghini and Callaway Form a High-Tech Alliance | 270 |
| Strategy Spotlight 7.1: Marketing to the "Bottom of the Pyramid" | 242 | <i>Wholly Owned Subsidiaries</i> | 271 |
| <i>Factor Endowments</i> | 243 | Strategy Spotlight 7.10: Pepsi's First-Mover Advantage in India Has Paid Off | 272 |
| <i>Demand Conditions</i> | 243 | <i>Summary</i> | 273 |
| <i>Related and Supporting Industries</i> | 243 | | |
| <i>Firm Strategy, Structure, and Rivalry</i> | 244 | Chapter 8 | |
| <i>Concluding Comment on Factors Affecting a Nation's Competitiveness</i> | 244 | Entrepreneurial Strategy and Competitive Dynamics | 278 |
| International Expansion: A Company's | | Recognizing Entrepreneurial Opportunities | 281 |
| Motivations and Risks | 244 | <i>Entrepreneurial Opportunities</i> | 281 |
| <i>Motivations for International Expansion</i> | 244 | Strategy Spotlight 8.1: The Contribution of Small Businesses to the U.S. Economy | 282 |
| Strategy Spotlight 7.2: India and the Diamond of National Advantage | 245 | Strategy Spotlight 8.2: Entrepreneurial Vision to Revitalize Detroit | 285 |
| Strategy Spotlight 7.3: How Walmart Profits from Arbitrage | 247 | <i>Entrepreneurial Resources</i> | 286 |
| <i>Potential Risks of International Expansion</i> | 249 | Strategy Spotlight 8.3: Green Plastics | 287 |
| Strategy Spotlight 7.4: Reverse Innovation: How Developing Countries Are Becoming Hotbeds of Innovation | 250 | Strategy Spotlight 8.4: Prosper.com: Using the Power of the Social Group to Fund Entrepreneurs | 288 |
| Strategy Spotlight 7.5: Counterfeiting: A Worldwide Problem | 252 | <i>Entrepreneurial Leadership</i> | 290 |
| <i>Global Dispersion of Value Chains: Outsourcing and Offshoring</i> | 254 | Strategy Spotlight 8.5: Strategic Alliances: A Key Entrepreneurial Resource | 291 |
| Achieving Competitive Advantage in Global Markets | 255 | Entrepreneurial Strategy | 292 |
| <i>Two Opposing Pressures: Reducing Costs and Adapting to Local Markets</i> | 255 | <i>Entry Strategies</i> | 293 |
| Strategy Spotlight 7.6: A Small-Town Alternative to Offshoring Tech Services Work | 256 | Strategy Spotlight 8.6: Pandora Rocks the Music Business | 294 |
| | | <i>Generic Strategies</i> | 297 |
| | | Strategy Spotlight 8.7: Low-Cost Imitator Vizio, Inc., Takes Off | 298 |
| | | <i>Combination Strategies</i> | 299 |

| | |
|---|------------|
| Competitive Dynamics | 299 |
| Strategy Spotlight 8.8: Diapers.com—Combining Focus, Low Cost, and Differentiation | 300 |
| <i>New Competitive Action</i> | 301 |
| <i>Threat Analysis</i> | 302 |
| <i>Motivation and Capability to Respond</i> | 304 |
| Strategy Spotlight 8.9: The Wall Street Journal Challenges The New York Times | 305 |
| <i>Types of Competitive Actions</i> | 305 |
| Strategy Spotlight 8.10: AMD and Intel: The Multiple Dimensions of Competitive Dynamics .. | 306 |
| <i>Likelihood of Competitive Reaction</i> | 308 |
| <i>Choosing Not to React: Forbearance and Co-opetition</i> | 309 |
| Strategy Spotlight 8.11: The UFL and the NFL: Cooperate or Compete? | 310 |
| <i>Summary</i> | 310 |

part 3 Strategic Implementation

| | |
|--|------------|
| Chapter 9 | |
| Strategic Control and Corporate Governance | 316 |
| Ensuring Informational Control: Responding Effectively to Environmental Change | 318 |
| <i>A Traditional Approach to Strategic Control</i> | 319 |
| <i>A Contemporary Approach to Strategic Control</i> | 319 |
| Strategy Spotlight 9.1: What Did General Motors Do Wrong? | 320 |
| Strategy Spotlight 9.2: Google's Interactive Control System | 322 |
| Attaining Behavioral Control: Balancing Culture, Rewards, and Boundaries | 322 |
| <i>Building a Strong and Effective Culture</i> | 323 |
| <i>Motivating with Rewards and Incentives</i> | 324 |
| <i>Setting Boundaries and Constraints</i> | 325 |
| Strategy Spotlight 9.3: Developing Meaningful Action Plans: Aircraft Interior Products, Inc. | 327 |
| <i>Behavioral Control in Organizations:</i> | |
| <i>Situational Factors</i> | 329 |
| <i>Evolving from Boundaries to Rewards and Culture</i> ... | 329 |
| The Role of Corporate Governance | 330 |
| Strategy Spotlight 9.4: The Relationship between Recommended Corporate Governance Practices and Firm Performance | 331 |

| | |
|---|-----|
| <i>The Modern Corporation: The Separation of Owners (Shareholders) and Management</i> | 332 |
| <i>Governance Mechanisms: Aligning the Interests of Owners and Managers</i> | 334 |
| <i>CEO Duality: Is It Good or Bad?</i> | 339 |
| <i>External Governance Control Mechanisms</i> | 340 |
| Strategy Spotlight 9.5: The Impact of the 2002 Sarbanes-Oxley Act on Corporate Directors | 343 |
| Strategy Spotlight 9.6: Two Examples of Powerful External Control Mechanisms | 344 |
| <i>Corporate Governance: An International Perspective</i> | 344 |
| Strategy Spotlight 9.7: Effective and Ineffective Corporate Governance among “Multilatinas” | 347 |
| <i>Summary</i> | 348 |

Chapter 10 Creating Effective Organizational Designs

| | |
|---|------------|
| Traditional Forms of Organizational Structure | 357 |
| <i>Patterns of Growth of Large Corporations:</i> | |
| <i>Strategy-Structure Relationships</i> | 357 |
| <i>Simple Structure</i> | 359 |
| <i>Functional Structure</i> | 359 |
| Strategy Spotlight 10.1: Parkdale Mills: A Successful Functional Organizational Structure | 361 |
| <i>Divisional Structure</i> | 361 |
| Strategy Spotlight 10.2: Why Sun Microsystems Experienced Major Problems When It Changed Its Organizational Structure | 363 |
| <i>Matrix Structure</i> | 364 |
| <i>International Operations: Implications for Organizational Structure</i> | 366 |
| <i>Global Start-Ups: A New Phenomenon</i> | 367 |
| <i>How an Organization's Structure Can Influence Strategy Formulation</i> | 368 |
| Linking Strategic Reward and Evaluation Systems to Business-Level and Corporate-Level Strategies | 368 |
| Strategy Spotlight 10.3: Global on Day One | 369 |
| <i>Business-Level Strategy: Reward and Evaluation Systems</i> | 369 |
| <i>Corporate-Level Strategy: Reward and Evaluation Systems</i> | 371 |
| Boundaryless Organizational Designs | 372 |

| | |
|--|------------|
| Strategy Spotlight 10.4: Boundary Types | 373 |
| <i>The Barrier-Free Organization</i> | 373 |
| Strategy Spotlight 10.5: The Business Roundtable: A Forum for Sharing Best Environmental Sustainability Practices | 375 |
| <i>The Modular Organization</i> | 377 |
| Strategy Spotlight 10.6: Video Games: Microsoft's Outsourcing Strategy | 378 |
| <i>The Virtual Organization</i> | 379 |
| Strategy Spotlight 10.7: How Eli Lilly Used the Collaborative Power of the Internet-Based Collaboration to Foster Innovation | 381 |
| <i>Boundaryless Organizations: Making Them Work</i> | 382 |
| Creating Ambidextrous Organizational Designs | 383 |
| Strategy Spotlight 10.8: Crest's Whitestrips: An Example of How P&G Creates and Derives Benefits from a Boundaryless Organization | 384 |
| <i>Ambidextrous Organizations: Key Design Attributes</i> | 385 |
| <i>Why Was the Ambidextrous Organization the Most Effective Structure?</i> | 385 |
| <i>Summary</i> | 386 |
| | |
| Chapter 11 | |
| Strategic Leadership: Creating a Learning Organization and an Ethical Organization | 392 |
| Leadership: Three Interdependent Activities | 395 |
| Strategy Spotlight 11.1: Julie Gilbert Sets a New Direction for Best Buy | 397 |
| <i>Setting a Direction</i> | 397 |
| <i>Designing the Organization</i> | 398 |
| <i>Nurturing an Excellent and Ethical Culture</i> | 398 |
| Strategy Spotlight 11.2: IKEA's Founder: "Low Prices—But Not at Any Price" | 399 |
| <i>The Ambicultural Approach: A Key to Successfully Fulfilling the Three Leadership Activities</i> | 400 |
| Elements of Effective Leadership | 401 |
| <i>Integrative Thinking</i> | 401 |
| <i>Overcoming Barriers to Change</i> | 402 |
| Strategy Spotlight 11.3: Integrative Thinking at Red Hat, Inc. | 403 |
| <i>The Effective Use of Power</i> | 404 |

| | |
|---|------------|
| Emotional Intelligence: A Key Leadership Trait | 405 |
| Strategy Spotlight 11.4: William Bratton: Using Multiple Bases of Power | 406 |
| <i>Self-Awareness</i> | 408 |
| <i>Self-Regulation</i> | 408 |
| <i>Motivation</i> | 408 |
| <i>Empathy</i> | 408 |
| <i>Social Skill</i> | 409 |
| <i>Emotional Intelligence: Some Potential Drawbacks and Cautionary Notes</i> | 409 |
| Developing a Learning Organization | 410 |
| <i>Inspiring and Motivating People with a Mission or Purpose</i> | 411 |
| <i>Empowering Employees at All Levels</i> | 412 |
| Strategy Spotlight 11.5: A Hospital's Unique Approach to Empowerment | 413 |
| <i>Accumulating and Sharing Internal Knowledge</i> | 413 |
| <i>Gathering and Integrating External Information</i> | 414 |
| <i>Challenging the Status Quo and Enabling Creativity</i> | 415 |
| Creating an Ethical Organization | 417 |
| <i>Individual Ethics versus Organizational Ethics</i> | 417 |
| Strategy Spotlight 11.6: Green Energy: Real or Just a Marketing Ploy? | 418 |
| <i>Integrity-Based versus Compliance-Based Approaches to Organizational Ethics</i> | 419 |
| <i>Role Models</i> | 420 |
| Strategy Spotlight 11.7: Elements of a Corporate Code | 421 |
| <i>Corporate Credos and Codes of Conduct</i> | 421 |
| <i>Reward and Evaluation Systems</i> | 423 |
| <i>Policies and Procedures</i> | 424 |
| <i>Summary</i> | 425 |
| | |
| Chapter 12 | |
| Managing Innovation and Fostering Corporate Entrepreneurship | 430 |
| Managing Innovation | 433 |
| <i>Types of Innovation</i> | 433 |
| Strategy Spotlight 12.1: Dutch Boy's Simple Paint Can Innovation | 434 |
| <i>Challenges of Innovation</i> | 435 |
| Strategy Spotlight 12.2: A Disruptive Innovation: The Slingshot and Affordable Clean Water | 436 |

| | |
|---|------------|
| <i>Cultivating Innovation Skills</i> | 437 |
| <i>Defining the Scope of Innovation</i> | 438 |
| <i>Managing the Pace of Innovation</i> | 440 |
| <i>Staffing to Capture Value from Innovation</i> | 440 |
| <i>Collaborating with Innovation Partners</i> | 441 |
| Strategy Spotlight 12.3: Staffing for Innovation Success at Air Products | 442 |
| Corporate Entrepreneurship | 442 |
| Strategy Spotlight 12.4: Crowdsourcing: IBM's Innovation Jam | 443 |
| Strategy Spotlight 12.5: Cisco Looks to Video to Spur Demand | 445 |
| <i>Focused Approaches to Corporate Entrepreneurship</i> | 446 |
| Strategy Spotlight 12.6: Using Team Tomorrow to Grow WD-40 | 447 |
| <i>Dispersed Approaches to Corporate Entrepreneurship</i> | 448 |
| Strategy Spotlight 12.7: Microsoft's Struggles with Corporate Entrepreneurship | 449 |
| <i>Measuring the Success of Corporate Entrepreneurship Activities</i> | 450 |
| Real Options Analysis: A Useful Tool | 452 |
| <i>Applications of Real Options Analysis to Strategic Decisions</i> | 452 |
| <i>Potential Pitfalls of Real Options Analysis</i> | 453 |
| Entrepreneurial Orientation | 454 |
| <i>Autonomy</i> | 455 |
| <i>Innovativeness</i> | 456 |
| Strategy Spotlight 12.8: Best Buy Finds Social Responsibility Drives Business | 457 |
| <i>Proactiveness</i> | 458 |
| <i>Competitive Aggressiveness</i> | 460 |
| <i>Risk Taking</i> | 461 |
| <i>Summary</i> | 463 |

part 4 Case Analysis

Chapter 13

Analyzing Strategic Management Cases 468

Why Analyze Strategic Management Cases? 470

How to Conduct a Case Analysis 471

| | |
|---|-----|
| Strategy Spotlight 13.1: Analysis, Decision Making, and Change at Sapiient Health Network | 472 |
|---|-----|

Become Familiar with the Material 473

| | |
|--|-----|
| Strategy Spotlight 13.2: Using a Business Plan Framework to Analyze Strategic Cases | 474 |
|--|-----|

Identify Problems 474

Conduct Strategic Analyses 475

Propose Alternative Solutions 477

Make Recommendations 477

How to Get the Most from Case Analysis 478

Using Conflict-Inducing Decision-Making Techniques in Case Analysis 481

Symptoms of Groupthink and How to Prevent It 482

| | |
|---|-----|
| Strategy Spotlight 13.3: Making Case Analysis Teams More Effective | 483 |
|---|-----|

Using Conflict to Improve Decision Making 484

Following the Analysis-Decision-Action Cycle in Case Analysis 486

Summary 490

| | |
|---|-----|
| <i>Appendix 1 to Chapter 13: Financial Ratio Analysis</i> | 491 |
|---|-----|

| | |
|--|-----|
| <i>Appendix 2 to Chapter 13: Sources of Company and Industry Information</i> | 501 |
|--|-----|

Cases C-1