Strategy is a crucial subject. It’s about the development, success and failure of all kinds of organisations, from multinationals to entrepreneurial start-ups, from charities to government agencies, and many more. Strategy raises the big questions about these organisations – how they grow, how they innovate and how they change. As a manager of today or tomorrow, you will be involved in shaping, implementing or communicating these strategies.

Our primary aim with Exploring Strategy is to give you a comprehensive understanding of the issues and techniques of strategy. We can also help you get a great final result in your course. You can make the most of the text by:

- Exploring hot topics in cutting-edge issues such as competition, corporate governance, innovation and entrepreneurship and strategy in practice.
- Engaging with our new ‘Thinking Differently’ sections to access novel and distinctive perspectives on core themes in strategy.
- Using the ‘strategy lenses’ to think critically and originally about key topics and to set you on your way to better grades in your assignments and exams.
- Pursuing some of the recommended readings at the end of each chapter. They’re specially selected as accessible and valuable sources that will enhance your learning and give you an extra edge in your course work.

We want Exploring Strategy to give you what you need: a comprehensive view of the subject, an ambition to put that into practice, and – of course – success in your studies. We hope that you’ll be as excited by the key issues of strategy as we are!

So, read on and good luck!

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Richard Whittington
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The case collection has been managed by Jason Evans, Clive Kerridge and Steve Pyle.
BRIEF CONTENTS

Chapter 1  Introducing strategy  2

PART I  THE STRATEGIC POSITION  29
Introduction to Part I  30
Chapter 2  Macro-environment analysis  32
Chapter 3  Industry and sector analysis  62
Chapter 4  Resources and capabilities  96
Chapter 5  Stakeholders and governance  132
Chapter 6  History and culture  162
Commentary on Part I The strategy lenses  190

PART II  STRATEGIC CHOICES  205
Introduction to Part II  206
Chapter 7  Business strategy and models  208
Chapter 8  Corporate strategy and diversification  242
Chapter 9  International strategy  276
Chapter 10  Entrepreneurship and innovation  308
Chapter 11  Mergers, acquisitions and alliances  338
Commentary on Part II Strategic choices  368

PART III  STRATEGY IN ACTION  371
Introduction to Part III  372
Chapter 12  Evaluating strategies  374
Chapter 13  Strategy development processes  410
Chapter 14  Organising and strategy  438
Chapter 15  Leadership and strategic change  468
Chapter 16  The practice of strategy  498
Commentary on Part III Strategy in action  532

CASE STUDIES  535

Go to Strategy Books: https://sharifstrategy.org/strategy-books
BRIEF CONTENTS

Glossary 773
Index of names 779
General index 785
Acknowledgements 795
CONTENTS

Illustrations and Thinking Differently  xvi
Figures  xx
Tables  xxiii
Preface  xxv
Exploring Strategy features  xxvii
Exploring Strategy online  xxviii

1 INTRODUCING STRATEGY  2
  1.1 Introduction  3
  1.2 What is strategy?  4
    1.2.1 Defining strategy  4
    1.2.2 The purpose of strategy: mission, vision, values and objectives  7
    1.2.3 Strategy statements  8
    1.2.4 Levels of strategy  10
  1.3 The Exploring Strategy Framework  11
    1.3.1 Strategic position  12
    1.3.2 Strategic choices  13
    1.3.3 Strategy in action  14
  1.4 Working with strategy  16
  1.5 Studying strategy  18
  1.6 Exploring strategy further  20
    1.6.1 Exploring strategy in different contexts  20
    1.6.2 Exploring strategy through different ‘strategy lenses’  21
  Summary  22
  Work assignments  22
  Recommended key readings  23
  References  23
  Case example: The rise of a unicorn – Airbnb  24
## CONTENTS

Summary 88
Work assignments 89
Recommended key readings 89
References 90
Case example: *Global forces and the advertising industry* 92

### 4 RESOURCES AND CAPABILITIES 96

4.1 Introduction 97
4.2 Foundations of resources and capabilities 98
   4.2.1 Resources and capabilities 98
   4.2.2 Threshold and distinctive resources and capabilities 100
4.3 Distinctive resources and capabilities as a basis of competitive advantage 101
   4.3.1 V – value of resources and capabilities 101
   4.3.2 R – rarity 102
   4.3.3 I – inimitability 102
   4.3.4 O – organisational support 104
   4.3.5 Organisational knowledge as a basis of competitive advantage 105
4.4 Diagnosing resources and capabilities 107
   4.4.1 VRIO analysis 107
   4.4.2 The value chain and value system 107
   4.4.3 Activity systems 111
   4.4.4 Benchmarking 114
   4.4.5 SWOT 115
4.5 Dynamic capabilities 119
Summary 124
Work assignments 124
Recommended key readings 125
References 125
Case example: *Rocket Internet – will the copycat be imitated?* 128

### 5 STAKEHOLDERS AND GOVERNANCE 132

5.1 Introduction 133
5.2 Stakeholders 134
   5.2.1 Stakeholder groups 134
   5.2.2 Stakeholder mapping 136
   5.2.3 Owners 139
5.3 Corporate governance 141
   5.3.1 The governance chain 143
   5.3.2 Different governance models 144
   5.3.3 How boards of directors influence strategy 149
5.4 Social responsibility and ethics 150
   5.4.1 Corporate social responsibility 150
   5.4.2 The ethics of individuals and managers 153
7.3.2 Cooperative strategy 224
7.3.3 Game theory 226
7.4 Business models
   7.4.1 Value creation, configuration and capture 229
   7.4.2 Business model patterns 232
Summary 234
Work assignments 234
Recommended key readings 235
References 235
Case example: The IKEA approach 237

8 CORPORATE STRATEGY AND DIVERSIFICATION 242
8.1 Introduction 243
8.2 Strategy directions
   8.2.1 Market penetration 245
   8.2.2 Product development 247
   8.2.3 Market development 248
   8.2.4 Conglomerate diversification 248
8.3 Diversification drivers 250
8.4 Diversification and performance 252
8.5 Vertical integration
   8.5.1 Forward and backward integration 253
   8.5.2 To integrate or to outsource? 254
8.6 Value creation and the corporate parent
   8.6.1 Value-adding and value-destroying activities of corporate parents 256
   8.6.2 The portfolio manager 258
   8.6.3 The synergy manager 259
   8.6.4 The parental developer 261
8.7 Portfolio matrices
   8.7.1 The BCG (or growth/share) matrix 263
   8.7.2 The directional policy (GE–McKinsey) matrix 264
   8.7.3 The parenting matrix 265
Summary 268
Work assignments 268
Recommended key readings 269
References 269
Case example: Virgin – is the brand more than Richard Branson? 271

9 INTERNATIONAL STRATEGY 276
9.1 Introduction 277
9.2 Internationalisation drivers 278
9.3 Geographic sources of advantage
   9.3.1 Locational advantage: Porter’s Diamond 282
   9.3.2 The international value system 284
9.4 International strategies 286
CONTENTS

9.5 Market selection and entry 289
  9.5.1 Country and market characteristics 289
  9.5.2 Competitive characteristics 292
  9.5.3 Entry modes strategies 295
9.6 Subsidiary roles in an international portfolio 297
9.7 Internationalisation and performance 299
Summary 300
Work assignments 301
Recommended key readings 301
References 301
Case example: China goes to Hollywood – Wanda’s moves into the US movie industry 304

10 ENTREPRENEURSHIP AND INNOVATION 308
10.1 Introduction 309
10.2 Entrepreneurship 310
  10.2.1 Opportunity recognition 310
  10.2.2 Steps in the entrepreneurial process 313
  10.2.3 Stages of entrepreneurial growth 314
  10.2.4 Social entrepreneurship 316
10.3 Innovation dilemmas 317
  10.3.1 Technology push or market pull 318
  10.3.2 Product or process innovation 320
  10.3.3 Open or closed innovation 321
10.4 Innovation diffusion 324
  10.4.1 The pace of diffusion 324
  10.4.2 The diffusion S-curve 325
10.5 Innovators and imitators 327
  10.5.1 First-mover advantages and disadvantages 327
  10.5.2 The incumbent’s response 328
Summary 331
Work assignments 332
Recommended key readings 332
References 332
Case example: Rovio Entertainment – going back to the entrepreneurial roots 335

11 MERGERS, ACQUISITIONS AND ALLIANCES 338
11.1 Introduction 339
11.2 Organic development 340
11.3 Mergers and acquisitions 341
  11.3.1 Types of M&A 341
  11.3.2 Timing of M&A 342
  11.3.3 Motives for M&A 342
  11.3.4 M&A processes 345
  11.3.5 M&A strategy over time 350
11.4 Strategic alliances 351

Go to Strategy Books: https://sharifstrategy.org/strategy-books
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11.4.1 Types of strategic alliance</td>
<td>353</td>
</tr>
<tr>
<td>11.4.2 Motives for alliances</td>
<td>353</td>
</tr>
<tr>
<td>11.4.3 Strategic alliance processes</td>
<td>355</td>
</tr>
<tr>
<td>11.5 Comparing acquisitions, alliances and organic development</td>
<td>359</td>
</tr>
<tr>
<td>11.5.1 Buy, ally or DIY?</td>
<td>359</td>
</tr>
<tr>
<td>11.5.2 Key success factors</td>
<td>360</td>
</tr>
<tr>
<td>Summary</td>
<td>362</td>
</tr>
<tr>
<td>Work assignments</td>
<td>362</td>
</tr>
<tr>
<td>Recommended key readings</td>
<td>363</td>
</tr>
<tr>
<td>References</td>
<td>363</td>
</tr>
<tr>
<td>Case example: Future-proofing business? Sainsbury acquires Argos</td>
<td>365</td>
</tr>
</tbody>
</table>

**Commentary on Part II Strategic choices**

**PART III**

STRATEGY IN ACTION

Introduction to Part III  372

**12 EVALUATING STRATEGIES**  374

12.1 Introduction  375
12.2 Organisational performance  376
  12.2.1 Performance measures  376
  12.2.2 Performance comparisons  377
  12.2.3 Gap analysis  377
  12.2.4 Complexities of performance analysis  379
12.3 Suitability  380
  12.3.1 Ranking  384
  12.3.2 Screening through scenarios  384
  12.3.3 Screening for bases of competitive advantage  384
  12.3.4 Decision trees  385
  12.3.5 Life cycle analysis  385
12.4 Acceptability  387
  12.4.1 Risk  388
  12.4.2 Return  390
  12.4.3 Reaction of stakeholders  398
12.5 Feasibility  399
  12.5.1 Financial feasibility  399
  12.5.2 People and skills  400
  12.5.3 Integrating resources  401
12.6 Evaluation criteria: four qualifications  401
Summary  403
Work assignments  403
Recommended key readings  404
References  404
Case example: ITV – DIY, buy or ally?  406

Go to Strategy Books: https://sharifstrategy.org/strategy-books
13 STRATEGY DEVELOPMENT PROCESSES

13.1 Introduction 411
13.2 Deliberate strategy development 412
  13.2.1 The role of the strategic leader 412
  13.2.2 Strategic planning systems 413
  13.2.3 Externally imposed strategy 418
13.3 Emergent strategy development 419
  13.3.1 Logical incrementalism 419
  13.3.2 Strategy as the outcome of political processes 422
  13.3.3 Strategy as the product of structures and systems 423
13.4 Implications for managing strategy development 425
  13.4.1 Strategy development in different contexts 427
  13.4.2 Managing deliberate and emergent strategy 429

Summary 431
Work assignments 431
Recommended key readings 432
References 432
Case example: Alphabet – who and what drives the strategy? 434

14 ORGANISING AND STRATEGY

14.1 Introduction 439
14.2 Structural types 440
  14.2.1 The functional structure 440
  14.2.2 The divisional structure 442
  14.2.3 The matrix structure 444
  14.2.4 Multinational/transnational structures 445
  14.2.5 Project-based structures 448
  14.2.6 Strategy and structure fit 448
14.3 Systems 451
  14.3.1 Planning systems 451
  14.3.2 Cultural systems 453
  14.3.3 Performance targeting systems 454
  14.3.4 Market systems 456
14.4 Configurations and adaptability 458
  14.4.1 The McKinsey 7-Ss 459
  14.4.2 Agility and resilience 460

Summary 462
Work assignments 462
Recommended key readings 462
References 463
Case example: One Sony? 465

15 LEADERSHIP AND STRATEGIC CHANGE

15.1 Introduction 469
15.2 Leadership and strategic change 470
CONTENTS

15.2.1 Strategic leadership roles 470
15.2.2 Leadership styles 471
15.3 Diagnosing the change context 473
  15.3.1 The change kaleidoscope 473
  15.3.2 Forcefield analysis 476
15.4 Types of strategic change 478
  15.4.1 Adaptation 479
  15.4.2 Reconstruction 479
  15.4.3 Revolution 480
  15.4.4 Evolution 481
15.5 Levers for strategic change 483
  15.5.1 A compelling case for change 483
  15.5.2 Challenging the taken for granted 484
  15.5.3 Changing operational processes and routines 484
  15.5.4 Symbolic management 485
  15.5.5 Power and political systems 486
  15.5.6 Timing 488
  15.5.7 Visible short-term wins 488
15.6 Problems of formal change programmes 489
  15.6.1 Problems in the process 489
  15.6.2 What formal programmes forget 490
Summary 491
Work assignments 492
Recommended key readings 492
References 493
Case example: Sergio Marchionne – motor of change 495

16 The Practice of Strategy 498

16.1 Introduction 499
16.2 The strategists 500
  16.2.1 Top managers and directors 500
  16.2.2 Strategic planners 501
  16.2.3 Middle managers 502
  16.2.4 Strategy consultants 505
  16.2.5 Who to involve in strategy development? 506
16.3 Strategising 508
  16.3.1 Strategy analysis 508
  16.3.2 Strategic issue-selling 509
  16.3.3 Strategic decision-making 512
  16.3.4 Communicating the strategy 513
16.4 Strategy methodologies 515
  16.4.1 Strategy workshops 515
  16.4.2 Strategy projects 517
  16.4.3 Hypothesis testing 518
  16.4.4 Business cases and strategic plans 520
Summary 522
Work assignments 522
CONTENTS

Recommended key readings 523
References 523
Case example: Participative strategy process in the city of Vaasa 525

Commentary on Part III Strategy in action 532

CASE STUDIES

Guide to using the case studies 536
Guide to the main focus of cases in the book 538

Glastonbury: from hippy weekend to international festival 541
The global pharmaceutical industry: back to the future? 545
Siemens A: exploring the future 557
The ‘pub’: decline of a British institution – how the brewers fought back 563
Ricoh Canada Inc.: printing the future or recycling the past? 568
H&M in fast fashion: continued success? 576
The Formula 1 constructors: capabilities for success 584
‘Access to Healthcare’: integrating a CSR programme in Coloplast 593
Manchester United FC: competing with Europe's elite clubs 600
Adnams: a living company 608
Widespace: managing growth and culture within a maturing technology venture 616
Ryannair: the low fares airline – ‘always getting better’? 622
Flight Centre Limited: competing to provide the lowest air fares 633
Megabrew: creating an undisputed global brewing champion? 639
AirAsia and the Tune Group: diversifying across industries 651
Severstal: growth and consolidation strategies in a turbulent global steel industry 659
Indian Premier League: glitz, glamour and globalisation 667
Handelsbanken: banking done differently 671
Ningbo Smarter Logistics: innovating in partnership with IBM in China 680
Leadership and innovation at Apple Inc.: entering the post-Jobs era 684
All change at Teva 690
Mondelēz International: ‘Are you going to stick around Irene’? 695
CRH plc: leveraging corporate strategy for value creation and global leadership 705
Evaluating the Mexican narco-trafficking problem 713
Where should the beds go? Infrastructure planning in NHS England 722
Strategic planning at King Faisal Hospital and Research Centre Saudi Arabia 729
Mormor Magda’s ice cream: can you be hot in a cool market? 734
Academies and Free Schools: the future of education? 739
<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siemens B: implementing the strategy</td>
<td>744</td>
</tr>
<tr>
<td>Paul Polman: turnaround and development of strategy at Unilever</td>
<td>750</td>
</tr>
<tr>
<td>Aurizon: managing change in a complex environment</td>
<td>758</td>
</tr>
<tr>
<td>In the boardroom at HomeCo</td>
<td>764</td>
</tr>
<tr>
<td><strong>Guide to the classic cases on the companion website</strong></td>
<td>770</td>
</tr>
<tr>
<td><strong>Glossary</strong></td>
<td>773</td>
</tr>
<tr>
<td><strong>Index of names</strong></td>
<td>779</td>
</tr>
<tr>
<td><strong>General index</strong></td>
<td>785</td>
</tr>
<tr>
<td><strong>Acknowledgements</strong></td>
<td>795</td>
</tr>
</tbody>
</table>
ILLUSTRATIONS AND THINKING DIFFERENTLY

ILLUSTRATIONS

1.1 Tesla Motors: the future is electric! 5
1.2 Strategy statements 9
1.3 Strategists 17
2.1 BP’s PESTEL 36
2.2 Intelligence Unit 8200 and the small world of Israeli hi-tech 42
2.3 Uber drives into trouble 47
2.4 Datatopia? 52
3.1 Busted banking barriers? 67
3.2 Facebook’s network fears 72
3.3 Steps in an industry analysis 75
3.4 Consolidation across the UK charity and public sectors 78
4.1 Resources and capabilities 99
4.2 Groupon and the sincerest form of flattery 106
4.3 An integrated value system in the Nepalese poultry industry 112
4.4 SWOT analysis of Pharmcare 116
4.5 Dynamic capabilities (and rigidities) in mobile telephone companies 120
5.1 Firefox burns out 142
5.2 A load of tosh? Toshiba’s accounting scandal 145
5.3 Volkswagen’s governance crisis 148
5.4 H&M’s sustainability strategy 152
6.1 Indian Railways and Empire 166
6.2 ‘Dream. People. Culture’ 173
6.3 The Bogleheads and Vanguard Asset Management 178
6.4 Kodak: the decline and fall of a market leader 181
7.1 Vanguard’s low-cost strategy comes to Europe 214
7.2 Volvo’s different Indian buses 217
7.3 Game theory in practice in the public sector 227
7.4 Uber’s ubiquitous business model 230
8.1 Baking change into the community 246
8.2 From sat nav to driverless cars 249
8.3 ‘Out of sight – out of mind’? Outsourcing at Royal Bank of Scotland 255
8.4 Eating its own cooking: Berkshire Hathaway’s parenting 260
8.5 Chipotle: doing things differently 262
9.1 Walmart: international successes and failures 279
9.2 The international ‘Joint Effort Enterprise’ 285
9.3 Nordic Industrial Park: bridging distance across international markets 290
9.4 Base of the pyramid strategies 293
### ILLUSTRATIONS AND THINKING DIFFERENTLY

<table>
<thead>
<tr>
<th>Illustrations</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1 Entrepreneurs, teams and external relationships</td>
<td>312</td>
</tr>
<tr>
<td>10.2 Nearly billionnaires</td>
<td>315</td>
</tr>
<tr>
<td>10.3 Frugal sanitary towels</td>
<td>319</td>
</tr>
<tr>
<td>10.4 The disruptive cloud</td>
<td>322</td>
</tr>
<tr>
<td>11.1 Strategies clash in a contested bid</td>
<td>343</td>
</tr>
<tr>
<td>11.2 To deal or not to deal – that’s the multi-billion dollar question</td>
<td>349</td>
</tr>
<tr>
<td>11.3 Apple’s iPad advantage</td>
<td>352</td>
</tr>
<tr>
<td>11.4 Bharti–Walmart break-up</td>
<td>358</td>
</tr>
<tr>
<td>12.1 Poor performance?</td>
<td>378</td>
</tr>
<tr>
<td>12.2 ‘Refreshing’ Heineken</td>
<td>382</td>
</tr>
<tr>
<td>12.3 A strategic decision tree for a law firm</td>
<td>386</td>
</tr>
<tr>
<td>12.4 Sensitivity analysis</td>
<td>389</td>
</tr>
<tr>
<td>12.5 Using break-even analysis to examine strategic options</td>
<td>391</td>
</tr>
<tr>
<td>12.6 Sewerage construction project</td>
<td>395</td>
</tr>
<tr>
<td>12.7 Real options evaluation for developing premium beers in India</td>
<td>397</td>
</tr>
<tr>
<td>13.1 The influence of strategic leaders</td>
<td>414</td>
</tr>
<tr>
<td>13.2 Strategic planning at Siemens</td>
<td>416</td>
</tr>
<tr>
<td>13.3 An incrementalist view of strategic management</td>
<td>421</td>
</tr>
<tr>
<td>13.4 A classic case: Honda entering the US motorcycle market</td>
<td>426</td>
</tr>
<tr>
<td>14.1 Structural fault: Qwikster’s quick demise</td>
<td>441</td>
</tr>
<tr>
<td>14.2 Google gets a new name and a new structure</td>
<td>447</td>
</tr>
<tr>
<td>14.3 Call fire, police and ambulance</td>
<td>455</td>
</tr>
<tr>
<td>14.4 Rogue banker or rogue bank?</td>
<td>457</td>
</tr>
<tr>
<td>15.1 Leadership styles</td>
<td>472</td>
</tr>
<tr>
<td>15.2 Challenges of change in Indian banking</td>
<td>475</td>
</tr>
<tr>
<td>15.3 A forcefield analysis for devolving strategy</td>
<td>477</td>
</tr>
<tr>
<td>15.4 Change levers in action</td>
<td>487</td>
</tr>
<tr>
<td>16.1 Wanted: team member for strategy unit</td>
<td>503</td>
</tr>
<tr>
<td>16.2 The Barclays Jam</td>
<td>507</td>
</tr>
<tr>
<td>16.3 Dinner with the consultants</td>
<td>511</td>
</tr>
<tr>
<td>16.4 A tale of two workshops</td>
<td>516</td>
</tr>
<tr>
<td>16.5 Hypothesis testing at a bank</td>
<td>519</td>
</tr>
</tbody>
</table>

### THINKING DIFFERENTLY BY CHAPTER

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 The crowdsourced forecast</td>
<td>54</td>
</tr>
<tr>
<td>3 From five forces to one</td>
<td>88</td>
</tr>
<tr>
<td>4 Micro-foundations of capabilities</td>
<td>123</td>
</tr>
<tr>
<td>5 Benefit Corporations</td>
<td>155</td>
</tr>
<tr>
<td>6 Institutional logics versus organisational culture</td>
<td>183</td>
</tr>
<tr>
<td>7 Transient rather than sustainable advantage</td>
<td>233</td>
</tr>
<tr>
<td>8 Corporate strategy is a fool’s errand</td>
<td>267</td>
</tr>
<tr>
<td>9 An institution-based view of strategy</td>
<td>300</td>
</tr>
<tr>
<td>10 Entrepreneurship: discovery or creation?</td>
<td>331</td>
</tr>
<tr>
<td>11 From acquiring capabilities to acquiring as capability</td>
<td>361</td>
</tr>
<tr>
<td>12 Misrepresenting strategic projects</td>
<td>402</td>
</tr>
<tr>
<td>13 Different strategy development styles</td>
<td>430</td>
</tr>
<tr>
<td>14 Beyond hierarchy?</td>
<td>461</td>
</tr>
<tr>
<td>15 Women as leaders</td>
<td>491</td>
</tr>
<tr>
<td>16 Rethinking the role of strategists</td>
<td>521</td>
</tr>
</tbody>
</table>
FIGURES

1.1 Definitions of strategy 4
1.2 Three horizons for strategy 6
1.3 The Exploring Strategy Framework 12
1.4 Strategy's three branches 18

Part I.1 Strategic position 30
2.1 Layers of the business environment 33
2.2 Analysing the macro-environment 34
2.3 The political environment 37
2.4 Economic cycles 39
2.5 Sociogram of social networks within an organisational field 41
2.6 Technology roadmap for graphene technology in electronics 44
2.7 Contexts and motives for ecological issues 46
2.8 Forecasting under conditions of uncertainty 49
2.9 The scenario cube: selection matrix for scenario key drivers 51
2.10 The scenario process 53

3.1 Industry and sector environments: the key issues 63
3.2 The Five Forces Framework 64
3.3 The value net 70
3.4 The industry life cycle 79
3.5 Comparative industry structure analysis 80
3.6 Some characteristics for identifying strategic groups 82
3.7 Strategic groups in the Indian pharmaceutical industry 83
3.8 Strategy canvas for electrical components companies 86
4.1 Resources and capabilities: the key issues 97
4.2 VRIO 101
4.3 Criteria for the inimitability of resources and capabilities 103
4.4 The value chain within an organisation 108
4.5 The value system 110
4.6 Activity systems at Geelmuyden.Kiese 113
4.7 The TOWS matrix 119

5.1 Stakeholders, governance and ethics 133
5.2 Stakeholders of a large organisation 135
5.3 Stakeholder mapping: the power/attention matrix 137
5.4 Ownership, management and purpose 140
5.5 The chain of corporate governance: typical reporting structures 143

6.1 The influence of history and culture 163
6.2 Path dependency and lock-in 165
6.3 Cultural frames of reference 169
6.4 Culture in four layers 171
6.5 Culture's influence on strategy development 174
6.6 The cultural web of an organisation 175
6.7 The cultural web: some useful questions 179
6.8 Strategic drift 180
C.i Design lens 191
C.ii Experience lens 193
C.iii Variety lens 195
C.iv Discourse lens 197

Part II.1 Strategic choices 206
7.1 Business strategy 210
7.2 Three generic strategies 211
7.3 Economies of scale and the experience curve 212
7.4 Costs, prices and profits for generic strategies 213
7.5 The Strategy Clock 220
7.6 Interactive price and quality strategies 222
7.7 Responding to low-cost rivals 223
7.8 Cooperating with rivals 225
7.9 Prisoner's dilemma game in aircraft manufacture 228
7.10 Business model components 231
8.1 Strategic directions and corporate-level strategy 243
8.2 Corporate strategy directions 245
8.3 Diversity and performance 252
8.4 Diversification and integration options: car manufacturer example 253
8.5 Portfolio managers, synergy managers and parental developers 258
8.6 The growth share (or BCG) matrix 263
8.7 Directional policy (GE–McKinsey) matrix 265
8.8 The parenting matrix: the Ashridge Portfolio Display 266
9.1 International strategy: five main themes 277
9.2 Drivers of internationalisation 280
9.3 Porter's Diamond – the determinants of national advantages 283
9.4 Four international strategies 287
9.5 International cross-cultural comparison 292
9.6 International competitor retaliation 294
9.7 Subsidiary roles in multinational firms 298
10.1 Entrepreneurship and innovation: four major themes 309
10.2 Entrepreneurial opportunity recognition 311
10.3 Steps in an entrepreneurial process 313
10.4 Stages of entrepreneurial growth and typical challenges 314
10.5 Product and process innovation 321
10.6 The diffusion S-curve 326
10.7 Disruptive innovation 329
10.8 Portfolio of innovation options 330
11.1 Three strategy methods 339
11.2 The acquisition process 345
11.3 Post-acquisition integration matrix 348
11.4 Strategic alliance motives 354
11.5 Alliance evolution 356
FIGURES

11.6 Buy, ally or DIY matrix 359
12.1 Evaluating strategies 375
12.2 Gap analysis 379
12.3 Assessing profitability 392
13.1 Deliberate and emergent strategy development 411
13.2 A continuum of emergent strategy development processes 419
13.3 Strategy development as the product of structures, systems and routines 423
13.4 Strategic direction from the continuity of prior strategic decisions 425
13.5 Strategy development in different contexts 427
14.1 Organisational configurations: strategy, structure and systems 439
14.2 A functional structure 442
14.3 A multidivisional structure 443
14.4 Two examples of matrix structures 444
14.5 Multinational structures 446
14.6 Strategy styles 452
14.7 A partial strategy map 458
14.8 The McKinsey 7-Ss 459
15.1 Key elements in leading strategic change 469
15.2 The change kaleidoscope 473
15.3 Styles of change leadership according to organisational capability and readiness 476
15.4 Types of change 478
15.5 Kotter’s Eight Steps for Change 483
16.1 The pyramid of strategy practice 499
16.2 Who to include in strategy making? 508
16.3 Formal channels for issue selling 510
<table>
<thead>
<tr>
<th>Table Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 The strategy checklist</td>
<td>15</td>
</tr>
<tr>
<td>3.1 Industry types</td>
<td>76</td>
</tr>
<tr>
<td>3.2 Some bases of market segmentation</td>
<td>85</td>
</tr>
<tr>
<td>4.1 Resources and capabilities</td>
<td>98</td>
</tr>
<tr>
<td>4.2 The VRIO framework</td>
<td>108</td>
</tr>
<tr>
<td>5.1 Some common conflicts of stakeholder interests and expectations</td>
<td>136</td>
</tr>
<tr>
<td>5.2 Sources and indicators of power</td>
<td>137</td>
</tr>
<tr>
<td>5.3 Corporate social responsibility stances</td>
<td>151</td>
</tr>
<tr>
<td>5.4 Some questions of corporate social responsibility</td>
<td>154</td>
</tr>
<tr>
<td>C.i A summary of the strategy lens</td>
<td>200</td>
</tr>
<tr>
<td>9.1 Comparison of entry mode strategies</td>
<td>296</td>
</tr>
<tr>
<td>12.1 The SAFe criteria and techniques of evaluation</td>
<td>380</td>
</tr>
<tr>
<td>12.2 Suitability of strategic options in relation to strategic position</td>
<td>381</td>
</tr>
<tr>
<td>12.3 Some examples of suitability</td>
<td>381</td>
</tr>
<tr>
<td>12.4 The industry life cycle/portfolio matrix</td>
<td>387</td>
</tr>
<tr>
<td>12.5 Measures of shareholder value</td>
<td>394</td>
</tr>
<tr>
<td>12.6 Financial strategy and the business life cycle</td>
<td>399</td>
</tr>
<tr>
<td>14.1 Strategy and structure fit</td>
<td>449</td>
</tr>
<tr>
<td>14.2 Types of control systems</td>
<td>451</td>
</tr>
<tr>
<td>15.1 Turnaround: revenue generation and cost reduction steps</td>
<td>479</td>
</tr>
<tr>
<td>15.2 Organisational rituals and change</td>
<td>485</td>
</tr>
<tr>
<td>15.3 Political mechanisms in organisations</td>
<td>488</td>
</tr>
<tr>
<td>16.1 Managing conflict</td>
<td>513</td>
</tr>
</tbody>
</table>
We are delighted to offer this eleventh edition of Exploring Strategy. With sales of previous editions now well over one million, we believe we have a tried and tested product. Yet the strategy field is constantly changing. For this edition, therefore, we have introduced a new chapter, and thoroughly refreshed all the remaining chapters, with new concepts, new cases and new examples throughout. Here we would like to highlight four particular changes, while recalling some of the classic features of the book.

The eleventh edition’s principal changes are:

- **Extended coverage of the macro-environment.** We now have a whole chapter on the macro-environment, allowing us to cover increasingly important nonmarket aspects of strategy, such as politics and regulation, and to provide students with the tools to analyse the mega-trends that will drive organisational strategy in the future.

- **A new treatment of business models.** We have developed the treatment of business models, important to students in a start-up culture of rapid technological change.

- **Enhanced emphasis on entrepreneurship.** As entrepreneurial opportunities become increasingly attractive to readers, we have raised the prominence of entrepreneurship, and introduced new materials on opportunity recognition and the entrepreneurial process.

- **New ‘Thinking Differently’ sections.** At the end of each chapter, we introduce new material designed to encourage students to approach issues from a different point of view to the conventional wisdom of the chapter itself: for example, using crowdsourcing to predict environmental change, or one force rather than five to analyse industries.

At the same time, Exploring Strategy retains its longstanding commitment to a comprehensive and real-world view of strategy. In particular, this entails a deep concern for:

- **Process.** We believe that the human processes of strategy, not only the economics of particular strategies, are central to achieving long-term organisational success. Throughout the book, we underline the importance of human processes, but in particular we devote Part III to processes of strategy formation, implementation and change.

- **Practice.** We conclude the book with a chapter on the practice of strategy (Chapter 16), focused on the practicalities of managing strategy. Throughout the book, we introduce concepts and techniques through practical illustrations and applications, rather than abstract descriptions. MyStrategyExperience simulation gives students a chance to apply the frameworks of the book to a dynamic, realistic simulation of strategy in the advertising industry (visit [https://uk.pearson.com/higher-education-educators/products-and-services/course-resources-and-content/simulations.html](https://uk.pearson.com/higher-education-educators/products-and-services/course-resources-and-content/simulations.html)).

Many people have helped us with the development of this new edition. Jason Evans, Clive Kerridge and Steve Pyle have led in coordinating the case collection. We have also consulted carefully with our Advisory Board, made up of experienced adopters of the book and other
leading academics in the field of strategy. Many other adopters of the book provide more
informal advice and suggestions – many of whom we have had the pleasure of meeting at
our annual teachers’ workshops. This kind of feedback is invaluable and we hope you will
keep the comments flowing. Also, our students and clients at Lancaster University, Oxford
University, Oxford Brookes, Stockholm School of Economics, Sheffield Hallam and the many
other places where we teach are a constant source of ideas and stimulus. We also gain from
our links across the world, particularly in Austria, Ireland, the Netherlands, Denmark, Swe-
den, France, Canada, Australia, New Zealand, Hong Kong, Singapore and the USA. Many
contribute directly by providing case studies and illustrations and these are acknowledged
in the text.

Finally, we thank those organisations that have been generous enough to be written up
as case studies. We hope that those using the book will respect the wishes of the case study
organisations and not contact them directly for further information.

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Advisory Board

Special thanks are due to the following members of the Advisory Board for their valued
comments:

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This eleventh edition of Exploring Strategy builds on the established strengths of this best-selling textbook. A range of in-text features and supplementary features have been developed to enable you and your students to gain maximum added value from the teaching and learning of strategy.

- **Outstanding pedagogical features.** Each chapter has clear learning outcomes, practical questions associated with real-life illustrations and examples which students can easily apply to what they have learnt.

- **Flexibility of use.** You can choose to use either the Text and Cases version of the book, or – if you don’t use longer cases (or have your own) – the Text-only version. The provision of Thinking Differently sections, Commentaries and Strategy ‘Lenses’ allows you to dig deeper into the tensions and complexity of strategy.

The two versions are complemented by a concise version of the text, Fundamentals of Strategy, and instructors also have the option of further customising the text. Visit [www.pearsoned.co.uk/CustomPublishing](http://www.pearsoned.co.uk/CustomPublishing) for more details.

- **Up-to-date materials.** As well as a new chapter on the macro-environment, we have fully revised the other chapters, incorporating new research and updating references so that you can easily access the latest research.

- **Encouraging innovative and critical thinking.** The Strategy Lenses and Commentaries are designed to encourage critical thinking, while each chapter ends with a Thinking Differently section, introducing students to new and distinctive approaches to key issues of the chapter.

Our ‘three circles’ framework – depicting the overlapping issues of strategic position, strategic choices and strategy in action – also challenges a simple linear, sequential view of the strategy process.

- **Case and examples.** A wide range of Illustrations, Case Examples and (in the Text and Cases version) longer Case Studies are fresh and engage with student interests and day-to-day experience. The majority of these are entirely new to this edition; we have extensively revised the remainder. Finally, we draw these examples from all over the world and use examples from the public and voluntary sectors as well as the private.

- **Teaching and learning support.** You and your students can access a wealth of resources detailed in the Exploring Strategy Online section that follows this.

- **Teachers’ workshop.** We run an annual workshop to facilitate discussion of key challenges and solutions in the teaching of strategic management. Details of forthcoming workshops can be found at [https://heuk.pearson.com/events.html](http://https://heuk.pearson.com/events.html)
A wide range of supporting resources are available at: www.pearsoned.co.uk/johnson

For students

- **Multiple choice questions** that test your understanding of key content.
- **Key concept audio summaries** that you can download or listen to online.
- **Video cases** that show managers talking about strategic issues in their own organisations.
- **Revision flashcards** to help you prepare for your exams.
- **A multi-lingual online glossary** to help explain key concepts.
- Guidance on **how to analyse a case study**.
- **Links** to relevant sites on the web so you can explore more about the organisations featured in the case studies.
- **Classic cases** – over 30 case studies from previous editions of the book.

For instructors

- **An Instructor’s Manual** which provides a comprehensive set of teaching support, including guidance on the use of case studies and assignments, and advice on how to plan a programme using the text.
- **PowerPoint slides**, containing key information and figures from the book.
- **Classic cases**, from previous editions of the book.

**MyStrategyExperience** is an engaging and rigorous simulation designed to bring together the theory and practice of strategy-making in the realistic environment of a dynamic organisation and industry. The simulation puts students on the board of directors in a global advertising agency and allows them to make a strategic analysis of the business, put together a business plan and then make a number of challenging decisions on the future strategy of the company.

As students set and implement strategy, they will see the impact of their decisions on financial and non-financial measures of performance within the simulated company. Your students will need to balance strategic opportunities with inherent risk thus gaining knowledge and insights relevant to their strategic studies.

For more information, contact your local sales representative or visit https://uk.pearson.com/higher-education-educators/products-and-services/course-resources-and-content/simulations.html

Follow the authors’ latest comments on the strategy issues of this book at https://twitter.com/ExploreStrategy
EXPLORING STRATEGY
1
INTRODUCING STRATEGY

Learning outcomes
After reading this chapter you should be able to:

● Summarise the strategy of an organisation in a 'strategy statement'.
● Distinguish between corporate, business and functional strategies.
● Identify key issues for an organisation’s strategy according to the Exploring Strategy Framework.
● Understand different people’s roles in strategy work.
● Appreciate the importance of different organisational contexts, academic disciplines and theoretical lenses to practical strategy analysis.

Key terms

business-level strategy p.11
corporate-level strategy p.10
Exploring Strategy Framework p.11
functional strategies p.11
mission statement p.7
objectives p.8
statements of corporate values p.8
strategic choices p.13
strategic position p.12
strategy p.4
strategy in action p.14
strategy lenses p.21
strategy statements p.8
three-horizons framework p.6
vision statement p.8
1.1 INTRODUCTION

Claudia, a junior at a leading firm of strategy consultants, had just arrived with two senior colleagues at the headquarters of a medium-sized company considering its next strategic move. The CEO began the meeting by outlining the business the company was in and some of the history behind the firm’s significant success in European markets. The recent entry into Europe of new aggressive competitors threatened their performance and the Board was wondering whether the company should globalise. The CEO then asked how the consultants might approach this problem. The consulting partner explained they would carry out a systematic strategic analysis of the company’s situation and Claudia knew this would be her responsibility – to gather and analyse appropriate data. She would need to understand how the company had been so successful to date, the challenge posed by competitors and the broader opportunities and threats from the wider environment. She knew she could access key company executives to understand what resources, processes and people were supporting the current strategy and also what might support international expansion. She would have to consider the direction in which the business might expand, the methods of expansion that might be most appropriate as well as other strategic options. Through this analysis, she would hope to inform the CEO’s decision about what the strategy for the company might be and perhaps gain further work to help implement a strategic direction.

The problem presented by the CEO to the consultants is one of strategy. It is concerned with key issues for the future of the organisation. For instance, how should the company compete in the future with aggressive new entrants? What growth options are there for the company? If going global is a good strategy, what would be the optimal method to achieve this outcome and what might be the resourcing implications? All of these strategy questions are vital to the future survival of the organisation.

Strategy questions naturally concern entrepreneurs and senior managers at the top of their organisations. But these questions matter more widely. Middle managers also have to understand the strategic direction of their organisations, both to know how to get top management support for their initiatives and to explain their organisation’s strategy to the people they are responsible for. Anybody looking for a management-track job needs to be ready to discuss strategy with their potential employer. Indeed, anybody taking a job should first be confident that their new employer’s strategy is actually viable. There are even specialist career opportunities in strategy, for example like Claudia, as a strategy consultant or as an in-house strategic planner, often key roles for fast-track young managers.

This book takes a broad approach to strategy, looking at both the economics of strategy and the people side of managing strategy in practice. It is a book about ‘Exploring’, because the real world of strategy rarely offers obvious answers. In strategy, it is typically important to explore several options, probing each one carefully before making choices. The book is also relevant to any kind of organisation responsible for its own direction into the future. Thus the book refers to large private-sector multinationals and small entrepreneurial start-ups; to public-sector organisations such as schools and hospitals; and to not-for-profits such as charities or sports clubs. Strategy matters to almost all organisations, and to everybody working in them.