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# **Strategic Management and Business Policy Globalization, Innovation, and Sustainability Fourteenth Edition**

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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 firm 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 on 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 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 geeks" 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.

### Possible Course Syllabus and Outlines

A number of policy instructors, including us, have a strong bias in favor of 75-minute classes meeting twice a week. Open class discussion or oral presentations of complex strategy cases usually require at least an hour's worth of time. Given the usual rigmarole involved in starting and ending a class, it is very difficult to handle a case well in a 50-minute period unless the case is analyzed over two class sessions. The course outlines you see below have been developed with generic activities. Instructors should explore MyManagementLab to review all possible activities in which students can participate.

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 their 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. We believe that a use of the strategic audit will help students to competently analyze their first comprehensive case even if they have not gone beyond corporate strategy in Chapter 7. We have found this point to be a good time to begin oral presentations, for example. The first case should, however, emphasize strategy formulation over implementation and be reasonably easy to analyze with each following case increasing in difficulty.

# SAMPLE COURSE SYLLABUS

**COURSE TITLE:** STRATEGIC MANAGEMENT

---

*Class Times & Location:*

*Course Web Site:*

*Instructor Information:*

*Office & Office Hours:*

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## **COURSE DESCRIPTION:**

This course serves as a cohesive map for strategic management. It is designed to integrate the accepted theories in the area with real world applications to provide students with the basic knowledge and skills needed for strategic management. Lecture and class assignments given in the course are intended to help students understand the needs of modern public and private organizations, including emerging national and international trends.

## **COURSE OBJECTIVES**

By the end of the course, students should be able to understand the basic elements of planning and implementing strategy.

## **RESOURCES**

**TEXTBOOK:** Strategic Management and Business Policy: Globalization, Innovation, and Sustainability, 14<sup>th</sup> Edition by T. Wheelen, J. Hunger, A. Hoffman, and C. Bamford.

**SOFTWARE:** MyManagementLab (This is an optional resource, see [www.mymanagementlab.com](http://www.mymanagementlab.com) for more information.)

**LIBRARY & INTERNET RESOURCES:** Students are encouraged to use the university library and the Internet for research and to complete assignments when necessary.

## **COURSE COMPONENTS**

**EXAMS:** A designated number of exams and a final exam will test students' understanding of the materials discussed in class and in the assigned readings.

**CASE ASSIGNMENTS:** Students will answer discussion questions from case applications assigned in the text. The goal is for students to apply the information discussed to these real-world situations to the concepts and principles presented in the course.

**IN-CLASS EXERCISES:** Throughout the semester, students are expected to be prepared to discuss issues relevant to the course and to participate in team exercises. For these exercises, students will be required to be actively involved to receive credit – i.e., making substantive comments, answering questions, and preparing short presentations. Points will be awarded by the instructor based on individual and group participation. Students should bring their textbook to class as part of their participation grade. Material for in-class assignments can be found at the conclusion of each chapter – see Ethical Dilemmas and Team Exercises.



GRADING

|  | <u>Percentage</u> | <u>Points</u> |
|--|-------------------|---------------|
| In-Class Exercises/Participation       | 10%               | 50            |
| Case Assignments (4 at 25 points each) | 20%               | 100           |
| Exam(s)                                | 50%               | 250           |
| Final Exam                             | 20%               | 100           |
| <b><u>TOTAL POINTS</u></b>             |                   | <b>500</b>    |

NOTE:

Class attendance and participation in class discussion is expected and absences will affect your final grade.

The due dates for assignments are non-negotiable and late work will be penalized.

All assignments are to be professional in appearance and typed to receive full credit.

**COURSE POLICIES**

**CLASSROOM BEHAVIOR:** Classroom behavior that interferes with either the instructor’s ability to conduct the class or the ability of students to benefit from the instruction is not acceptable. Students engaging in improper classroom behavior may have points deducted from their total points in the course, or if the situation warrants, be reprimanded to the university’s committee on student discipline.

**ACADEMIC HONESTY AND APPEALS:** Students are expected to maintain the highest standards of academic integrity. Behavior that violates these standards is not acceptable. Examples are the use of unauthorized material, communication with fellow students during an examination, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination or other class work. Cheating on exams, plagiarism, improper acknowledgement of sources in essays, and the use of a single essay or paper in more than one course without permission are considered very serious offences and shall be grounds for disciplinary action as outlined in the current General Catalogue.

**COURSE OUTLINE**      16-WEEK COURSE: SEMESTER

| Week | Assigned Reading   | Generic Activities – see MyManagementLab for actual activities that correspond with this text |
|------|--|---|
| 1    | <b>Chapter 1</b> Basic Concepts of Strategic Management  | In class discussion: Strategy (Chapter 1)   |
| 2    | <del>Module</del> <b>Chapter 2</b> Corporate Governance<br>Context: Constraints and Challenges | In class exercise: Building Constraints (Chapter 2)   |
| 3    | <b>Chapter 3</b> Social Responsibility and Ethics in Strategic Management                      | Case #1 (Chapter 3)   |
| 4    | <b>Chapter 4</b> Environmental Scanning and Industry Analysis                                  | In class discussion: Scanning (Chapter 4)   |
| 5    | <b>Chapter 5</b> Internal Scanning: Organizational Analysis                                    | In class discussion: Working with Apple   |

|                   |   |  |
|-------------------|---|--|
| 6                 | <b>Chapter 6</b> Strategy Formulation: Situation Analysis and Business Strategy | Case #2 (Chapter 6)  |
| 7                 |   | Exam 1   |
| 8                 | <b>Chapter 7</b> Strategy Formulation: Corporate Strategy                       | In class discussion: Corporations Need Direction (Chapter 7) |
| 9                 | <b>Chapter 8</b> Strategy Formulation: Functional Strategy and Strategic Choice | Case #1 (Chapter 8)  |
| 10                |   | In class exercise: Developing Synergy (Chapter 8)            |
| 11                | <b>Chapter 9</b> Strategy Implementation: Organizing for Action                 | In class exercise: Team Building (Chapter 9)                 |
| 12                | <b>Chapter 10</b> Strategy Implementation: Staffing and Directing               | Case #2: Hiring Decisions (Chapter 10)                       |
| 13                | <b>Chapter 11</b> Evaluation and Control  | In class exercise: Evaluating the Evaluation (Chapter 11)    |
| 14                | <b>Chapter 12</b> Suggestions for Case Analysis                                 | In class discussion: Using Financials (Chapter 12)           |
| 15                | <b>Putting It All Together</b>  | Case Presentation  |
| <b>Final Exam</b> |   |  |

**COURSE OUTLINE**      12-WEEK COURSE: SEMESTER

| <b>Week</b> | <b>Assigned Reading</b>  | <b>Generic Activities – see MyManagementLab for actual activities that correspond with this text</b> |
|-------------|--|--|
| 1           | <b>Chapter 1</b> Basic Concepts of Strategic Management<br><b>Module</b> Management Strategy | In class discussion: Strategy (Chapter 1)  |
| 2           | <b>Chapter 2</b> Corporate Governance<br><b>Context: Constraints and Challenges</b>          | In class exercise: Building Constraints (Chapter 2)  |
| 3           | <b>Chapter 3</b> Social Responsibility and Ethics in Strategic Management                    | Case #1 (Chapter 3)  |
| 4           | <b>Chapter 4</b> Environmental Scanning and Industry Analysis                                | In class discussion: Scanning (Chapter 4)  |
| 5           | <b>Chapter 5</b> Internal Scanning: Organizational Analysis                                  | In class discussion: Working with Apple  |
| 6           | <b>Chapter 6</b> Strategy Formulation: Situation Analysis and Business Strategy              | Case #2 (Chapter 6)  |
| 7           | <b>Chapter 7</b> Strategy Formulation: Corporate Strategy                                    | Exam 1   |
| 8           | <b>Chapter 8</b> Strategy Formulation: Functional Strategy and Strategic Choice              | In class exercise: Developing Synergy (Chapter 8)  |
| 9           | <b>Chapter 9</b> Strategy Implementation: Organizing for Action                              | Case #1 (Chapter 9)  |

|                   |  |  |
|-------------------|--|--|
| 10                | <b>Chapter 10</b> Strategy Implementation:<br>Staffing and Directing | In class exercise: Team Building<br>(Chapter 10) |
| 11                | <b>Chapter 11</b> Evaluation and Control                             | Case #2: Developing Controls (Chapter<br>11)     |
| 12                | <b>Chapter 12</b> Suggestions for Case Analysis                      | Putting it All Together                          |
| <b>Final Exam</b> |  |  |

***PART B***

**CHAPTER NOTES**

## CHAPTER ONE

### BASIC CONCEPTS OF STRATEGIC MANAGEMENT

This chapter sets the stage for the study of strategic management and business policy. It summarizes research supporting the conclusion that those corporations that are able to learn from their experiences and manage strategically perform at a higher level than corporations that do not. It describes a number of triggering events that 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. The chapter also introduces the strategic audit as a method of operationalizing strategic decision making.

### LEARNING OBJECTIVES

1. Understand the benefits of strategic management
2. Explain how globalization and environmental sustainability influence strategic management
3. Understand the basic model of strategic management and its components
4. Identify some common triggering events that act as stimuli for strategic change
5. Understand strategic decision-making modes
6. Use the strategic audit as a method of analyzing corporate functions and activities

### TOPICS OUTLINE COVERED

1. The Study of Strategic Management
  - a. Phases of Strategic Management
  - b. Benefits of Strategic Management
2. Globalization, Innovation, and Sustainability: Challenges to Strategic Management
  - a. Impact of Globalization
  - b. Impact of Innovation
  - c. Impact of Sustainability
3. Theories of Organizational Adaptation
4. Creating a Learning Environment
5. Basic Model of Strategic Management
  - a. Environmental Scanning
  - b. Strategy Formulation
  - c. Strategy Implementation
6. Initiation of Strategy: Triggering Events
  - a. Evaluation and Control
  - b. Feedback/Learning Process
7. Strategic Decision Making
  - a. What Makes a Decision Strategic
  - b. Mintzberg's Modes of Strategic Decision Making
  - c. Strategic Decision-Making Process: Aid to Better Decisions
8. The Strategic Audit: Aid to Strategic Decision Making

### SUGGESTED ANSWERS TO MYMANAGEMENTLAB QUESTIONS

#### **1-1. How do the three elements of Globalization, Innovation, and Sustainability impact your understanding of Strategy?**

Globalization is the integrated internationalization of markets and corporations. As more industries become global, strategic management is becoming more important in keeping track of international developments and positioning a company for long-term competitive advantage. Innovation is meant to describe new products, services, methods and organizational approaches that would position a company to achieve strong returns. Sustainability refers to a set of business practices that focus on the triple bottom line for an organization. Each of these is a new frontier that is

impacting the way in which businesses develop and implement strategy.

**1-2. Organizational strategy can be divided roughly into two categories: a) formulation and b) implementation. While there is legitimate crossover between the two, how would you characterize the issues involved in each effort?**

There are four basic phases of strategic management. Phase 1 is basic financial planning, phase 2 is forecast-based planning, phase 3 is externally-oriented strategic planning, and phase 4 is strategic management. Phases 1, 2, and 3 are all considered part of the formulation category. Each of these stages suggests the need to scan the internal and external environment and develop a plan adapting to projections and forecast. The last phase, strategic management, is about the choices an organization makes to implement the planned strategy. In this stage, everyone across the organization is enlisted to support the strategic goals.

### **SUGGESTED ANSWERS TO DISCUSSION QUESTIONS**

**1-3. Why has strategic management become so important to today's corporations? (LO 1)**

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. The three most highly-rated benefits of strategic management are a clearer sense of a firm's strategic vision, a sharper focus on what is strategically important, and an improved understanding of a rapidly changing environment. As the world's environment becomes increasingly complex and changing, strategic management is used by today's corporations as one way to make the environment more manageable.

**1-4. How does strategic management typically evolve in a corporation? (LO 1)**

Strategic management in a corporation appears to evolve through four sequential phases according to Gluck, Kaufman, and Walleck. Beginning with basic financial planning, it develops into forecast-based planning, 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.

**1-5. What is a learning organization? Is this approach to strategic management better than the more traditional top-down approach in which strategic planning is primarily done by top management? (LO 3)**

Simply put, a learning organization is one that 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 well as from the experiences of others; and (4) transferring knowledge quickly and efficiently throughout the organization. This means that people at all levels, not just top management, need to be involved in strategic management - by helping to scan the environment for critical information, suggesting changes to strategies and programs to take advantage of environmental shifts, and working with others to continuously improve work methods, procedures, and evaluation techniques. Research indicates that those organizations that are willing to experiment and able to learn from their experiences are more successful than those that do not.

Top-down strategic management assumes that only top management is in a position to contribute to strategic planning. This approach can work reasonably well in a bureaucratic organization with very little horizontal communication. Top-down strategic planning forces all units to get involved in the planning process and makes sure that all units fit into the overall corporate mission, objectives, strategies, and policies. A limitation of the top-down approach is that all motivation comes from the top and lower units may simply go through the motions in

order to please the boss. The likelihood of fresh, new strategic concepts at lower levels of the organization becomes less, the more the stimulus for strategic planning comes from above.

**1-6. Why are strategic decisions different from other types of decisions? (LO 5)**

Strategic decisions deal with the long-run future of the entire organization and have three characteristics that differentiate them from other types of decisions: (1) they are rare – strategic decisions are unusual and typically have no precedent to follow; (2) they are consequential – strategic decisions commit substantial resources and demand a great deal of commitment; and (3) they are directive – strategic decisions set precedents for lesser decisions and future actions throughout the organization. See *Top Decisions: Strategic Decision-Making in Organizations* by Hickson, Butler, Cray, Mallory, and Wilson for further discussion.

**1-7. When is the planning mode of strategic decision making superior to the entrepreneurial and adaptive modes? (LO 5)**

The planning mode is generally superior to the entrepreneurial and adaptive modes when the organization is fairly large, when knowledge is spread throughout the organization, and when the organization has at least a moderate amount of time to engage in strategic planning. The book proposes that the planning mode is more rational and thus a better way of making most strategic decisions. It may not, however, always be possible. The entrepreneurial mode can be very useful when time is short, when one person or group is able to grasp the essentials of the business and its environment, and that person or group is able to influence the rest of the organization to accept its strategic decision. The adaptive mode is generally not considered to be very effective in most situations, but seems to be the fallback mode when entrepreneurial or planning modes can't operate effectively because of political infighting or lethargy.

**ADDITIONAL DISCUSSION QUESTIONS FOR INSTRUCTORS**

**These are not found in the text and may be used by the instructor for classroom discussion or exams.**

**A1-1. Describe the triple bottom line. (LO 1)**

The term used to describe a business' sustainability is the triple bottom line. John Elkington coined the phrase in 1994 to suggest that organizations do pay attention to three different bottom lines. These include: (1) Traditional profit/loss; (2) People Account – social responsibility of the organization; and (3) Planet Account – the environmental responsibility of the organization. This has become increasingly important for organizations today. For instance, companies seek LEED certification for their buildings and mold a reputation for being friendly to the world. LEED certification is available to buildings that are created to be self-sustaining, with little impact on the environment.

**A1-2. What is meant by a *hierarchy of strategy*? (LO 3)**

A hierarchy of strategy is a term used to describe the interrelationships among the three levels of strategy (corporate, business, and functional) typically found in large business corporations. Beginning with the corporate level, each level of strategy forms the strategic environment of the next level in the corporation. This means that corporate level objectives, strategies, and policies form a key part of the environment of a division or business unit. The objectives, strategies, and policies of the division or unit must therefore be formulated so as to help achieve the plans of the corporate level. The same is true of functional departments that must operate within the objectives, strategies, and policies of a division or unit.

**A1-3. Does every business firm have business strategies? (LO 1)**

Every business firm should have a business strategy for every industry or market segment it serves. A business strategy aims at improving the competitive position of a business firm's products or services in a specific industry or market segment. Firms must therefore have business strategies even if they are not organized on the basis of operating divisions. Nevertheless, it is still possible that some business firms do not have clearly stated business

strategies. If they hope to be successful, however, they must have at least some rudimentary (even though unstated) position they take in terms of getting and keeping customers or clients.

#### **A1-4. What information is needed for the proper formulation of strategy? Why? (LO 3)**

In order to properly formulate strategy, it is essential to have information on the important variables in both the external and internal environments of the corporation. This includes general forces in the societal environment as well as the more easy-to-identify groups such as customers and competitors in the task environment. A corporation needs to have this information in order to identify a need it can fulfill via its corporate mission. It is also important to have information on the corporation's structure, culture, and resources. A corporation needs to have this information in order to assess its capabilities to satisfy a customer's need by making and/or distributing a product or service. Information on both the internal and external environments can also help a corporation predict likely opportunities and threats. Long-term strategies can be designed with these in mind.

#### **A1-5. Reconcile the strategic decision-making process depicted in Fig. 1.5 with the strategic management model depicted in Fig. 1.2. (LO 3, LO 6)**

The strategic management model depicts the key input variables (internal and external environments) and the key output factors (mission, objectives, strategy, and policies). It shows how strategy formulation, implementation, and evaluation and control are related, and how a change in any one factor (e.g., corporate objectives) affects other factors (e.g., strategies, policies, programs, budgets, procedures, evaluation and control techniques). This model, however, does not depict how these output factors are generated. In contrast, the strategic decision-making model depicts how the process of strategic management happens in the form of strategic decisions. It is a series of interrelated activities depicted as eight distinct steps. These two models therefore complement one another and are very useful in increasing one's understanding of strategic management.

### **SUGGESTIONS FOR STRATEGIC PRACTICE EXERCISE**

This end of chapter exercise is a good way to motivate students to apply some of the concepts in the chapter, particularly those from the strategic management model. Decisions are made every day, but not all decisions are seen as strategic ones.

The text states that strategic decisions are (1) rare, (2) consequential, and (3) directive. These deal with the long-term future of the entire organization. To aid in the decision making, the authors suggest an eight step decision-making process. Found on page 25 in the text, these include: (1) evaluating current performance results; (2) reviewing corporate governance; (3) scanning and assessing the external environment; (4) scanning and assessing the internal corporate environment; (5) analyzing the strategic factors; (6) generating and selecting the best alternative strategy; (7) implementing selected strategies; and (8) evaluating implemented strategies. These guidelines for making and evaluating decisions at a strategic level can be important for leaders.

Most people in business on most days deal with company tactics and decisions at a level that is not strategic. However, every decision made by every employee in a company ultimately impacts the success of the strategy for that company. As pointed out by Malcolm Gladwell in his book *The Tipping Point*, it is the collection of thousands of decisions all aimed in relatively the same direction that can lead a company to the achievement of a strategy. How do you decide what type of decision is strategic?

Open today's issue of *The Wall Street Journal* and look for an article about new moves being made by a corporation, specifically the decisions that are strategic. At what level is each of the decisions that you identified? Functional/Business/Corporate? Why do you believe this to be the case? What is your assessment of these decisions? Will they be effective? Why? How have you decided this?

This is a good exercise to encourage students to begin analyzing the strategic decision-making process. This exercise serves two purposes. It gets everyone up to speed in terms of identifying "real world" strategic decisions. It also forces them to re-read Chapter 1 to get a solid understanding of what differentiates a good from a poor



strategic decision. Encourage them to use the models presented in the chapter to justify their reasoning. You can give them this assignment on the first day of class and then use the second day to discuss Chapter 1 and the various strategic decisions people have found. This is a good way to encourage student participation in the class.

