



MANAGEMENT STRATEGY

Achieving Sustained
Competitive Advantage

second edition

ALFRED A. MARCUS

Management Strategy

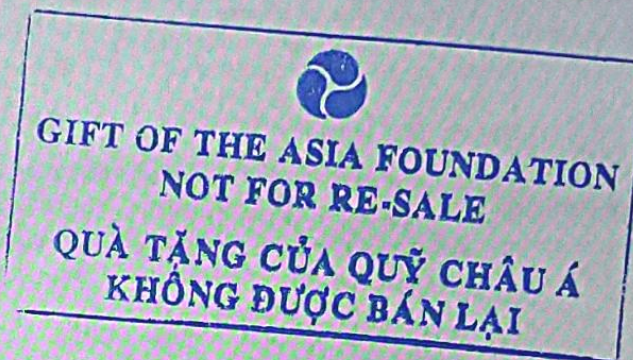
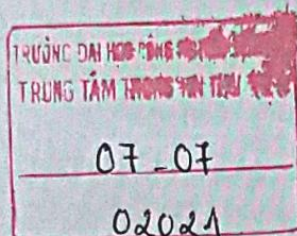
Achieving Sustained Competitive Advantage

Second Edition

Alfred A. Marcus

Carlson School of Management

University of Minnesota—Minneapolis



**Mc
Graw
Hill** **McGraw-Hill
Irwin**



MANAGEMENT STRATEGY: ACHIEVING SUSTAINED COMPETITIVE ADVANTAGE
Published by McGraw-Hill/Irwin, a business unit of The McGraw-Hill Companies, Inc., 1221
Avenue of the Americas, New York, NY, 10020. Copyright © 2011, 2005 by The McGraw-Hill
Companies, Inc. All rights reserved. No part of this publication may be reproduced or distributed
in any form or by any means, or stored in a database or retrieval system, without the prior written
consent of The McGraw-Hill Companies, Inc., including, but not limited to, in any network or
other electronic storage or transmission, or broadcast for distance learning.

Some ancillaries, including electronic and print components, may not be available to customers
outside the United States.

This book is printed on acid-free paper.

1 2 3 4 5 6 7 8 9 0 DOC/DOC 1 0 9 8 7 6 5 4 3 2 1 0

ISBN-13: 978-0-07-813712-9

ISBN-10: 0-07-813712-8

Vice president and editor-in-chief: *Brent Gordon*

Publisher: *Paul Ducham*

Director of development: *Ann Torbert*

Managing development editor: *Laura Hurst Spell*

Editorial assistant: *Jane Beck*

Vice president and director of marketing: *Robin J. Zwettler*

Associate marketing manager: *Jaime Halteman*

Vice president of editing, design and production: *Sesha Bolisetty*

Senior project manager: *Harvey Yep*

Lead production supervisor: *Michael R. McCormick*

Design coordinator: *Joanne Mennemeier*

Media project manager: *Suresh Babu, Hurix Systems Pvt. Ltd.*

Cover design: *Joanne Mennemeier*

Cover image: *Chad Baker/Getty Images*

Typeface: *10/12 Times New Roman*

Compositor: *Aptara[®], Inc.*

Printer: *R. R. Donnelley*

Library of Congress Cataloging-in-Publication Data

Marcus, Alfred Allen, 1950-

Management strategy : achieving sustained competitive advantage / Alfred A. Marcus. —2nd ed.

p. cm.

Includes index.

ISBN-13: 978-0-07-813712-9 (alk. paper)

ISBN-10: 0-07-813712-8 (alk. paper)

1. Strategic planning. 2. Management. 3. Competition. I. Title.

HD30.28.M3527 2011

658.4'012—dc22

2009038447

Brief Contents

Preface ix

PART ONE

Managing Strategically 1

1 Strategy Basics 2

2 External Analysis 25

3 Internal Analysis 53

PART TWO

Making Moves 77

4 Timing and Positioning 78

5 Mergers, Acquisitions, and
Divestitures 103

6 Globalization 127

7 Innovation and Entrepreneurship 151

PART THREE

Repositioning 179

8 Continuous Reinvention 180

9 Implementation 197

GLOSSARY 214

INDEX 221

Contents

Preface ix

PART ONE

MANAGING STRATEGICALLY 1

Chapter 1

Strategy Basics 2

Introduction 2

Sustained Competitive Advantage 4

Winning Moves 7

Analysis 7

Moves 7

Understanding Management Strategy 9

Chess 9

War 13

Sports 17

Keeping Score: Performance Measurement 19

The Balanced Scorecard 19

Measures of Overall Dominance 20

Industry Boundaries 21

Summary 22

Endnotes 23

Chapter 2

External Analysis 25

Introduction 25

Industry Analysis 26

Industrial Organization Economics 27

The Five Forces 27

Industry Differences: Examples of

Five-Force Analysis 28

The Strategist's Role in Industry Analysis 32

Long-Term Industry Attractiveness 34

Macroenvironmental Analysis 35

Components of the External Environment 35

Systems and Scenarios 45

Uncertainty 46

An Enacted Environment: The Industry and Its Boundaries 47

Cooperation or Competition? 48

Stakeholder Analysis 49

Stakeholder Theory 49

Agency Theory 49

Summary 50

Endnotes 51

Chapter 3

Internal Analysis 53

Introduction 53

Management Theory 55

The Human Relations

Approach 56

Contingency Theory 56

The Seven-S Framework 58

Value Chain Analysis 60

Value Chain Linkages 61

Benefits of Value Chain Linkages:

An Example 62

The Resource-Based View 62

RBV versus IO Economics 63

Resources, Capabilities, and

Competencies 64

From Resources to Capabilities 66

Examples of Company Capabilities 69

From Capabilities to

Competencies 71

The Process of Acquisition 74

Summary 74

Endnotes 75

PART TWO

MAKING MOVES 77

Chapter 4

Timing and Positioning 78

Introduction 78

Timing 79

The Value of Rapid Adjustment 81

Obstacles to Quick Action 82

Game Theory 83

Learning from Game Theory 87

Positioning 89

Are Low Cost and Differentiation Incompatible? 92

The New Alternative: Best Value 93

Repositioning 95

Strategic Groups: Company Segmentation 97

Segmentation by Product or Service 99

Summary 100

Endnotes 101

Chapter 5

Mergers, Acquisitions, and Divestitures 103

Introduction 103

Different Forms a Firm Can Take 104

Mergers, Acquisitions, and Divestitures: The Record Thus Far 105

A Poor Record of Past Performance 106

A Shifting Landscape 107

Motivations Behind M&As 107

The Role of Deregulation 108

Examples of Good Deal Making 111

M&As and the Global Economic Meltdown 112

Pharmaceuticals 112

Why Do M&As Fail? 114

Why Do Mergers Succeed? 116

Mergers of Equals 116

Effective Management 117

Breaking Down the Corporate Hierarchy 120

Is Vertical Integration the Answer? 121

The Entertainment Industry 122

Summary 124

Endnotes 125

Chapter 6

Globalization 127

Introduction 127

Reasons for Globalization 128

Product Maturity: Soft Drinks 129

Industry Evolution 130

Global Analysis 131

Where to Invest 132

An Example: Soft Drinks 132

Does Globalization Pay? 134

Which Regions in the World? 135

The Comparative Development of Nations 136

Labor, Capital, and Technology 136

Open Economies 138

Parallels Between Global and Domestic Moves 139

Business Strategy 141

Corporate Strategy 143

Globalization's Challenges 145

Economic Imbalances 145

Insecurity 145

Youth Violence 147

Government Incapacity 148

Summary 149

Endnotes 149

Chapter 7

Innovation and Entrepreneurship 151

Introduction 151

Challenges of Succeeding in New

Business Ventures 152

Success Stages 152

Commitment 153

Overcoming Barriers 153

Technological Opportunities 159

Trends 159

Experts 160

Alternative Scenarios 160

Leading-Edge Industries 160

Postindustrialism 161

Biotechnology 162

The Environment as a Business Opportunity 164

Environmental Innovation 165

Low-Emissions Vehicles 167

Obstacles to Exploiting New Technologies 168

Risk 169

Uncertainty 169

Technology Push and Market Pull 173

Difficulties of Successful Innovation 173

Understanding the Innovation Process 174

Summary 176

Endnotes 176

PART THREE

REPOSITIONING 179

Chapter 8

Continuous Reinvention 180

- Introduction 180
- Judo Strategy 182
 - Rapid Movement and Agility: An Example* 182
 - Defense and Exploitation* 183
 - Sweet Spots and SCA: Company Analysis* 183
- Reinvention 185
 - The Dilemma of Change* 186
 - A Strategic Approach to the Dilemma* 187
- Innovations in Strategy 189
 - An Example: Retail Food Industry* 189
 - Competing via Strategic Innovation* 190
- Summary 195
- Endnotes 196

Chapter 9

Implementation 197

- Introduction 197
- The Probability and Anatomy of Failure 198
 - Home Depot: Performance-Enhancing Moves versus an Engrained Culture* 198
 - Circuit City: "Me Too" Moves versus Faster, More Savvy Foes* 199

- United Airlines: A Low-Cost Segmentation Move versus Lack of Internal Commitment* 199
- Swissair: Empire-Building Moves versus Resource Limitations and EU Law* 200

- The Root Causes of Failure 200
- A Comprehensive Implementation Framework 201
 - Assess Change Readiness* 202
 - Install Integrative Leadership* 203
 - Create a Consistent Message* 204
 - Appoint Cross-Functional Program Teams* 204
 - Solicit Change Program Proposals* 205
 - Select and Prioritize Proposed Change Programs* 205
 - Assign Process Owners and Align Resources* 206
 - Secure Funding, Formalize Operational Objectives, and Design Incentives* 208
 - Advance and Continually Monitor Initiatives* 209
 - Fortify Gains and Refine the Implementation Process* 211
- Summary 211
- Endnotes 212

Glossary 214

Index 221