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1. Introduction

Exploring Strategy represents one of the most comprehensive packages of material and support for teachers and students of strategy. The following materials and assistance are now available:

- The *text* with improved design and layout to assist readers – including objectives for each part of the book and chapter learning outcomes, concept definitions, chapter summaries, additional reading and much more.
- Over seventy *illustrations* and fourteen *key debates* each including questions to facilitate their use as mini cases or class discussions.
- Fifteen chapter-end *case examples* with specific relevance to the content of the chapter and with questions relating to the major learning issues in the chapter.
- Chapter-end *work assignments*, which provide further opportunities for student assessment, additional work or self-assessment.
- Thirty-five case studies (text and cases version only) together with comprehensive teaching notes (in this manual and on the website). The case collection contains a rich mixture of material, including long and short cases from many different sectors and different countries.
- Over thirty ‘classic cases’ from past editions (where they are not carried forward into 10th edition but are still useful to tutors and students).
- The accompanying MyStrategyLab (www.pearsoned.co.uk/mystrategylab) contains materials for students and tutors and is added to and updated on a regular basis.
- The Strategy Experience simulation (included in MyStrategyLab) gives students hands-on experience of strategic analysis and decision making. The simulation can be used by individual students, or as part of a wider classroom exercise.

For students:

- Revision aids (flashcards, key concepts and glossary (in six languages))
- Multiple-choice questions, work assignments and grade book
- Help with case studies (weblinks, FT articles and advice on analysing cases).

For tutors:

- This Instructors’ Manual
- PowerPoint slides
- Testbanks
- Tutors’ workshops led by the authors are held annually. These are practical days concerned with how teachers might gain most advantage from the book and associated materials. They also act as a forum in which to meet other strategy teachers.

Details on all of these items and extensive tutors' debriefs of work assignments, illustrations, case examples and case studies are included in this manual.

2. Using this manual

This manual is designed for the assistance of teachers of strategy in planning how to gain maximum advantage from the text *Exploring Strategy* and the associated teaching and learning materials. It should provide help with:

- Planning a teaching approach to suit the type of participants, time available, etc.
- Deciding on how to use the text, illustrations, case examples, readings and case studies in a teaching scheme.
- Choosing additional material to include in a course.
- Using the work assignments for the Illustrations, case examples and those at the end of each chapter.
- Preparing to teach the case studies.
- Using the videos.
- Using the Exploring Strategy website.

The next two sections are intended to be of particular use to teachers who are relatively new to teaching strategy or are designing new courses. Experienced teachers may wish to pass over Sections 3 and 4.

3. Planning your approach

This section provides some general guidance on how the design of a strategy course can be varied to meet the requirements of the participants and the practicalities of the situation. The factors listed below will also influence the way in which the text, readings, work assignments, case examples, case studies and videos can be used to best advantage.

3.1 Purpose of the course

Strategy courses can be designed to meet many different needs. At one extreme, the course may mainly be concerned with raising *awareness* of why organisations need to change and develop over time and some of the ways in which this occurs. Alternatively, a course may be designed to improve the *skills* of participants in the formulation and implementation of strategy. Between these extremes are other purposes for strategy courses. For example, improving managers' understanding of how their job function *fits* the overall strategic development of the organisation, helping to break down the very narrow *operational outlook* of many managers or *integrating* material from other parts of a business or management course. The following is some guidance on how the use of text and cases might be adapted to these various purposes.

- If *awareness* is the key purpose, the text can be used to provide a basic framework (say through a lecture series) and devote as much time as possible to illustrative work. The illustrations and case examples in the text should prove valuable and teachers should try to supplement these with their own topical material (press cuttings, material from company websites, etc.). Where participants have access to live organisations, use of issues from those organisations should be encouraged (e.g. by presentations). Guest speakers could also prove valuable – particularly, interesting success stories. The case studies and videos can be used mainly to encourage discussion and illustrate particular aspects of strategy. Work assignments should be useful to consolidate some of the key concepts in strategic management.
- If *skills development* is most important, then the purpose of the text should be to help participants understand concepts and analytical tools which they can apply and practice. Most of the case examples and case studies lend themselves to an analytical approach, and participants should be set tasks that require them to produce detailed and practical solutions. Work assignments for the illustrations and at chapter ends should be useful to test skills development and the understanding of key concepts. With some groups, it may be possible to require participants to develop their skills on real, company-based issues, through a project. For example, students can be asked to undertake an analysis of a particular industry or company (which could be done on the basis of secondary data), to assess the strategic choices available to an organisation and propose how issues of implementation would be managed. Many of the advanced level work assignments are specifically designed to test readers' in-depth understanding of issues and/or ability to use them in a project situation.
- Where the *relationship between strategy and the separate business functions* is of primary importance, group work (preferably with cross-functional teams) could be very helpful. This could be for work on the case studies, in-company work or business simulations.

3.2 Level of participant

The purpose of a strategy course is likely to differ with the level of participant (see Table 1). For example, this could relate to their age, job function or type of course which they are studying.

- For *younger* people with little full-time work experience the text should prove useful in providing a systematic approach and illustrations of strategy in practice. The illustrations and case examples in the text (and associated work assignments) should be used to relate theory to practice. Case studies and the video material should be used in fairly focused ways to consolidate stages in the learning rather than in an all-embracing way until later in the course. Selected readings should also prove helpful. The standard level work assignments will be the most appropriate for this group.
- Where participants have *some work experience* but are nevertheless fairly junior (e.g. final year sandwich course students and many supervisory-level courses), the same comments are relevant except that there are more opportunities to encourage participants to relate to real-life situations through presentations, in-company projects, etc.
- For *more experienced managers* (e.g. in many part-time MBA programmes or in-company courses) it should be possible to reduce the formal inputs of concepts and methods on the grounds that these are clearly laid out in the text and can be read prior to class sessions or as a means of pulling together the issues discussed in class. It is then possible to devote the majority of time to applied work (the case studies, group projects, presentations, etc.). It is

also likely that the issues raised in Chapters 12–15 will warrant more emphasis since they raise critical issues of processes of strategic management confronting practising managers. It may also make sense to begin the course by discussing different ways of understanding strategy and strategic management. The strategy lenses introduced in the Commentary at the end of Part I provide a basis for this since they reflect on how strategy might be seen and interpreted in different ways.

Table 1 Using the text and cases with different participants

	No work experience	Limited work experience	Experienced managers
1. Typical groups	Undergraduates	Sandwich degree students, supervisory level, full-time MBA	Part-time MBA, in-company courses
2. Sequencing of material from text	In chapter sequence	In chapter sequence	In chapter sequence (possibly highlighting of Chapters 12–15 earlier)
3. Relative emphasis of issues	Main emphasis on Chapters 1–11	More balanced emphasis	Greater emphasis on 'process issues' and Commentaries
4. Text to read	After class sessions	After class sessions	Before or after class sessions
5. Applied work (case studies, etc.) used to	Illustrate issues from the text in a carefully focused way	Practice analytical and conceptual understanding	As a way of improving understanding and skills
6. Additional reading	Selected key readings	Selected key readings	Selected key readings

3.3 Study mode

The mode of study should also influence course design.

- For *full-time* courses, a good level of preparation of case study work should be expected. Such preparation provides an opportunity for smaller groups to work together on tasks for significant periods of time. A tightly organised package of student work (the case studies, group work, presentations, etc.) is, therefore, possible as an important way of consolidating the concepts/approaches from the text. However, the chance of live in-company work may be more limited – although projects based largely on secondary data can be very effective.
- In contrast, *part-time* students should be more in touch with ongoing management issues but may have less preparation time available and find it more difficult to meet in groups. It may be, therefore, that some group time needs to be built into the programme. It can also be helpful to provide selected readings linking theory and practice to part-time students as a basis for group/class discussions or presentations.
- Increasingly, *distance learning* elements are being used in business and management programmes. The structured nature of the text together with the illustrations, case examples,

readings, case studies, video, work assignments and website material lends itself to form the backbone of learning modules. Section 4 below, which reviews work assignments, provides guidelines on how the issues and materials in the book can be used to provide a structured learning 'path' for students.

3.4 Time available

The study hours available will also influence the course design and the use of text and cases.

- For *long* programmes (50 hours +) it should prove possible to use the text and cases extensively and to supplement the course with other materials and activities.
- For *shorter* programmes, a more selective use of the materials is possible. For example, a course concerned largely with strategy formulation could confine the use of the text to Chapters 1–10 (or 11) and the associated illustrations, case examples, readings, case studies, video, work assignments and website material. In this case, 'Fundamentals of Strategy' might be considered as a course text. A course on strategic change and implementation would be centred on Chapters 12–15. The other chapters would be recommended as follow-up or contextual reading.
- Where time is *very limited* – particularly with more experienced managers – sessions may consist of an introduction to some basic ideas through the frameworks from the text together with a case study (or similar activity). More extensive use of the text would be in the participants' own time either pre- or post-course. The authors regularly use such an approach on short courses for senior managers. The work assignments also provide a valuable checklist and/or self-study guide around these basic concepts.

4. Designing the teaching scheme

4.1 Pre-course work

It should be clear from the above that there are many circumstances where pre-course work could be essential. The text and case studies are designed to facilitate this. Where pre-course work is needed, it is suggested that it is prescribed in the following way:

- The appropriate chapters of the book with a few suggested issues to bear in mind. For example, it might prove useful for participants to read Chapter 1 and be expected to discuss what is meant by strategy or to read Chapter 3 and discuss what strategic capabilities matter most in organisation.
- Preparation of *illustrations, case examples or case study* material. Here, specific guidance can be found in the teaching notes in Section 6 and in the work assignment debriefs.
- Any *company specific data* that they might need. For example, if participants are to undertake project work they may need to access company reports, accounts and websites. To accompany the reading of Chapter 1 and/or Chapters 12 and 15, students could be asked to reflect on how strategic issues are managed in their own organisation. Or students could be asked to bring some topical data (e.g. articles or press cuttings) that might be used to develop a presentation on the course.

4.2 Starting the course

The specific requirements of each course will vary but here is some guidance on how courses in strategy might be started:

- A traditional approach would be to run through the issues in Chapter 1 and relate them to the structure of the course. This is most successful if the course follows the text quite closely and in chapter sequence.
- With groups of experienced managers, it can be stimulating to begin with a session on *different approaches* to strategic management and strategy development using the material from Chapters 1, 12 and 15 and the Commentary at the end of Part I that introduces the four strategy lenses. This does not preclude a follow-up that works through the chapters in sequence, but helps put that approach into context.
- An alternative approach is to begin the course with a *case study*, case example or *illustration*. The chapter end case for Chapter 1 (*Glastonbury*), the first illustration in Chapter 1 or the first case in the case section of the book (*Lego*) are provided for this purpose. This approach starts the course with participants talking about the strategic issues relevant to that company and industry, and gives pointers to issues that will be covered in the rest of the course. A similar opening can be achieved by asking one or more participants to talk about the key strategic issues in their *own* organisation or for an organisation that is well known to many participants.

4.3 Planning the topics

The text lends itself to a range of different treatments and we encourage teachers to use it in a way which suits their own style and the needs of the participants. Some approaches might be as follows:

- The most straightforward teaching scheme is one that follows the sequence of topics from the text. For example, on a final year undergraduate programme the text can be 'covered' in one-hour lectures leaving time for applied activities. It is strongly recommended that a lecture series of this type be used to *augment* the text (e.g. by addressing more fully some of the concepts or explaining how they can be used in practice) rather than replicate what is in the text.
- Courses can be taught on an 'issues basis'. For example, by focusing on the main strategic choices discussed in Part II of the book (e.g. competitive strategy, internationalisation, mergers and acquisitions). Here, Parts I and III of the book would be used as background reading by students to prepare for and inform class discussion on the issues.
- A 'case based' course uses a series of case studies as the backbone of the course. Classes then focus on the issues raised by the cases. Here, it makes sense to choose the cases to focus on particular issues or themes. The case version of the book provides an extensive choice of cases that can be used for this purpose. It should then be expected that students (a) do recommended pre-reading from the text and (b) apply that reading to their preparation of the cases.

- On other courses, the text can be used somewhat differently. For example, one of the authors teaches a part-time MBA course where the opening few weeks of the programme run parallel sessions following the 'content' issues in Chapters 2–5 and the 'process' issues of Chapters 12 and 15 and the Commentary. This is augmented by a readings programme and a group project running through the course.

4.4 Balance of the course

The teaching scheme will need to be balanced in relation to many of the needs identified in Section 3 in two different ways:

- The degree of *emphasis* given to different topics as discussed above.
- The *mixture and sequencing* of lectures, seminars, case studies, group work, etc. These are largely determined by the circumstances for which the programme is designed as outlined in Section 3. It is useful to look at some typical ways in which this mix can be planned:
 - *Case study/applied material only* courses, where the text is used as pre-reading and/or follow-up. This approach is not very common on open access courses but can be very useful in an in-company workshop where a review of the organisation's own strategy forms the basis of the programme, and frameworks and techniques from the text are drawn upon as appropriate.
 - *Case study/applied material-based* programmes. Here, the applied material is prepared before the class sessions and forms the basis of a discussion of key concepts during the session. This is the Harvard approach and the text could be used either as pre-reading or for follow-up. The case studies, case examples, illustrations, website material and work assignments would form the basis of such a course.
 - *Lectures and applied work*. Here, the formal lecture accounts for perhaps 20–30% of the programme, the remainder being used for applied work – case studies, presentations, projects, etc. The text, case studies, case examples, illustrations, website materials and work assignments are ideal for providing the backbone of a course of this type. The dangers are that students do not read widely enough so teachers need to provide proper guidance on additional reading (including those identified at the end of each chapter).
 - *Lecture and illustrative material*. Here, the lecture programme may amount to 50–70% of the course with illustrations, case examples, case studies and website material being used to provide practical examples of the issues in the text/lectures. This is only recommended for undergraduates.

4.5 Assessment

Many courses will require participants to be assessed. The text and cases (and the above advice on course design) provide opportunities for a wide variety of different assessments. For example:

- *Formal examinations* can be used to test understanding of the key concepts presented in the text. There are dangers that students give overly theoretical answers to questions. One way of avoiding this is to use short quotations from case studies, articles or illustrations as the basis of the issue that requires discussion in the examination question. This could include requiring answers that are directed at explaining concepts to managers as they could be asked to do, perhaps, in a job interview.

- *Case study examinations* are a commonly used method of assessment. There are typically two approaches here.
 - i) The case study is distributed before the examination, but not the questions. Students are then able to prepare, perhaps in groups. The questions are then provided in the examination and answered on an individual basis. Students are however able to use their prepared notes. The biggest danger with this approach is that students overwhelm themselves with prior analysis, and simply replicate their notes, failing to answer the questions posed on the examination paper.
 - ii) An alternative approach is to use a brief case study together with the questions provided to the students in the examination setting or shortly before it. The problem here is that students' speed of reading can vary considerably – particularly if they are reading the case in English as a second language.
- *Project-based assessment* involves students (or groups of students) applying the concepts and techniques in the book to a real organisation. This could be done, for example, by part time students working on their own organisations. Or it can be done with students working on nominated organisations using secondary data.
- *Student presentations* are another method of assessment, popular with many strategy teachers. They can be used to assess students' work on illustrations, case examples, case studies or in-company project work that they have undertaken. It is desirable to combine an assessment of the presentation with a write-up.
- *Executive reports* are used by one of the authors. These are an unannounced 30-minute write-up of the critical issues in a pre-seen case study or article in the form of a brief executive report.
- *Participant's topic* – where participants are required to present a write-up and/or presentation on a strategic issue – often in the context of a topical situation or their own organisation.
- *Readings* – where a readings programme throughout the course is used as a basis of linking theory to practice and can be assessed through presentation and/or write-up.

A note on *Group Projects*. Group projects can be an excellent form of learning and therefore lend themselves to be incorporated into the assessment package. The group project provides an extra learning dimension from the individual project namely, the *process* by which the group undertook the project and managed themselves. We would advise that the project write-up should include issues of process as well as content. Many teachers shy away from group projects because they feel that the assessment of individual contributions can be difficult (which it is!). However, the potential learning from group work is so great that we would encourage teachers to experiment with assessing the project work. There are several ways in which worries about assessing individuals can be alleviated. First, the group project can be part of an assessment package and weighted accordingly (e.g. 30–40% of the overall mark). Second, the formal requirement may be that the group project is assessed only on a pass/fail basis. The student's examination mark is that gained in other assessments. Third, the group can be given an overall group average mark and be asked to advise the tutor on the individual marks of group members (in relation to their contribution). Where the authors have used this particular approach, it has proved useful to provide *limits* within which individual marks can be varied (say 10 marks) and to ensure that students are clear that the final decision rests with the tutor. Fourth, students can be asked to complete an individual piece of work, e.g. on their own key learning points from the group work.

4.6 Sample teaching plan

This is an example of a teaching plan for a 500-strong cohort of level 3 undergraduates taking strategic management as a core double-weighted module over two semesters. Total contact hours are 36 hours, group work comprises 110 hours and independent study 154 hours. The module comprises a mixture of lectures, interactive workshops, group work, independent learning and online-mediated study (via an online learning management system such as MyStrategyLab). Case studies are a key learning vehicle for the module. Students are also required to conduct group and individual research into organisations. A series of surgery sessions and online-mediated sessions are available to students wishing to reinforce their learning. Key skills are developed in the areas of teamwork, oral and written communications, selection and application of data collection methods, research and referencing skills, data analysis and online communications.

The strategic management module has two main learning components:

- Acquiring theory and concepts in strategy
- Application of theory and concepts to the analysis of organisations.

To some extent, these two components interact – application of the concepts helps to clarify understanding of the theory. The theory comes early in the module, in order to have something to work with. The module lectures (focusing more on the theory) are therefore mostly in Semester 1 and early Semester 2.

Successful studying for the module requires the following:

- Working through the *Exploring Strategy* interactive study guide together with the textbook
- Attending lectures, having prepared for them
- Working with study group on analysing case studies and a chosen organisation
- Participating actively in workshops.

Reflecting this balance, the module has three elements of assessment:

1. **Online assessment (10%).** A range of question types to test students' basic understanding of the theory at the end of Semester 1 (e.g. multiple choice, pull down list, matching, ranking and text match).
2. **An individual written assignment, including a copy of the group presentation (30%).** This requires application of the theory to a chosen organisation. Group work involves analysing the organisation, developing and ranking strategic options and making a presentation on one aspect of the organisation. Each individual then writes up a part of the analysis.
3. **A two-hour case study-based examination (60%).** This requires application of the theory to a case study that is issued two weeks before the exam and students analyse it in their study groups prior to the exam.

The module requires commitment and time on the part of the students. They must be able to organise their own study time – reading, working through the interactive online study guide and doing the self-assessment tests, analysing the case studies, gathering data on the selected organisation, preparing presentations for the workshops and working on the assignment. Using study groups effectively is an important skill. Study group discussions provide an opportunity to practise using the strategy vocabulary. The grid in Table 2 gives a general outline of the requirements of the module.

The course structure is as follows:

- Lectures: All students attend 11 two-hour lectures – 8 in Semester 1 and 3 in Semester 2.
- Workshops: Each study group has 7 two-hour interactive workshop sessions. They commence in week 3, Semester 1 and run throughout the year.
- Surgery sessions: Six optional surgery sessions are available.
- Online: All students are required to complete the interactive study guide accompanying the *Exploring Strategy* textbook. All communication is via the learning management system (not email) and students should access it at least twice a week.
- Guest lectures: A series of guest lectures, 'Strategy into Practice', are organised over the course of the year. This provides an opportunity to hear how strategy is implemented in practice by leading business managers.

Tables 3 and 4 show topics, reading and cases.

Table 2 Outline of module requirements

Work area	Purpose	Group work
Read the core text (<i>Exploring Strategy</i>), other recommended reading and work through the interactive study guide	Understand the theory	Discuss the ideas in groups; consider how to apply them and what their implications are
Read and analyse the assigned cases using strategic management theory and the analytical techniques from other modules (e.g. finance, HR and marketing)	Understand organisations in practice, and how to apply the theory	Discuss and compare analysis within groups, in workshops and via the online discussion group/discussion board facility. Assess areas of overlap or disagreement. Identify areas of uncertainty or difficulty for surgery/workshop discussion or for debating via the online discussion board
Collect and analyse information on the chosen organisation. Use strategic management theory and the analytical techniques from other modules (e.g. finance, HR and marketing)	Develop research and analytical skills. Apply strategic management theory to an organisation	Discuss analysis within study groups. Assign areas for individuals to investigate in greater depth for the group. Identify areas of uncertainty or difficulty for surgery/workshop discussion or for debating via the online discussion board

Work area	Purpose	Group work
Develop group presentation	Simulate a team-based work situation and a presentation to management – develop communication and influencing skills	Discuss who is going to make the presentation, how all group members can be involved, what format it will take. Rehearse and polish the presentation and prepare answers to questions that might arise
Work on individual assignment	Apply strategic management theory to the chosen organisation and develop written presentation skills	Work in groups and discuss analysis. Do the final write-up individually
Work on the case study for the exam	Utilise teamworking to simplify analysis and work towards a common aim of success	Compare analysis of the case study. Discuss areas of disagreement and decide what position to take. Help weaker team members to understand the issues

Table 3 Lecture schedule

Lecture (2 hours)	Topic	Preparation for lectures (<i>Exploring Strategy</i> text and online interactive study guide)
	<i>Semester 1</i>	
Week 1	Introducing strategy	Chapter 1 text and online
Week 2	The environment	Chapter 2 text and online
Week 3	Strategic capabilities	Chapter 3 text and online
Week 4	Strategic purpose Culture and strategy	Chapters 4 and 5 text and online
Weeks 5/6	Surgery sessions	
Week 7	Business strategy	Chapter 6 text and online
Week 8	Corporate strategy and diversification International strategy Mergers acquisitions and alliances	Chapters 7, 8, 10 text and online
Week 9	Innovation and entrepreneurship	Chapter 9 text and online

Week 10	Evaluating strategies	Chapter 11 text and online
Week 11	Surgery session	
	<i>Semester 2</i>	
Week 1	Organising for success	Chapter 13 text and online
Week 2	Leading strategic change	Chapter 14 text and online
Week 3	Strategy development processes	Chapters 12 and 15 text and online
Weeks 4,6,8 and 9	Surgery sessions	

Table 4 Workshop topics

Workshop	Analytical focus	Preparation
1	Business environment: PESTEL, Five Forces	Case Example Chapter 2. Global forces and the advertising industry
2	Organisational resources: value chain, strategic capability	Case Example Chapter 3. Rocket Internet – <i>will the copycat be imitated?</i>
3	Organisational context: stakeholders, corporate governance, culture	Case Example Chapter 5. Bonuses and 'gaming' at Barclays Bank
4	Corporate-level strategy: diversification, portfolios, parenting	Case Example Chapter 7. Strategic development at Virgin
5	International strategy and the development and evaluation of strategic options	Case Example Chapter 8. China comes to Hollywood: Wanda's acquisition of AMC
6	Implementation of strategy: organising and change management	Case Example Chapter 14. Sergio Marchionne: leading change in Fiat and Chrysler
7	Revision	Case Example from last year's examination

Workshops 2–6 allocate 30 minutes for group presentations.

5. A guide to using the work assignments

This section contains guidance for using the work assignments that appear with each illustration, case example and at the end of each chapter in *Exploring Strategy*. These notes are not intended

to be prescriptive and instructors are encouraged to use these assignments in ways that best suit your own learning situation.

The work assignments with each illustration are designed to consolidate one or two learning points from a part of the chapter. The questions with case examples at the chapter end take the main issues from each chapter and suggest ways in which readers can consolidate their understanding by applying these concepts to appropriate case studies, illustrations and/or organisations of their own choice. There are also integrative assignments that look across chapters. The work assignments are provided at two levels of difficulty – in order to give flexibility in their use:

Standard are straightforward applications of concepts or frameworks to specific situations.

Advanced require a fuller analysis usually linking two or more concepts and/or situations and requiring reading round the issues.

The sections below provide chapter-by-chapter guidance on how tutors might use the work assignments to consolidate students' understanding of the concepts in *Exploring Strategy*. There are, however, a few general guidelines that you may wish to consider in deciding how to gain most benefit from incorporating these work assignments into the students' programme of study:

- Remember there are many different ways in which you can use these assignments. For example as:
 - topics for students to *pre-prepare* for a session, where the concept or issue will be discussed in the light of their preparation;
 - a basis of a student's *presentation* in a class session;
 - a student *assessment*;
 - a *self-study package*, which students use to test their own understanding.
- Although many of the work assignments draw on illustrations and/or case studies in *Exploring Strategy*, we have tried to write them in a way that does not make them entirely dependent on this specific source material. Most of these work assignments should be useable in a situation of the tutor's/student's choice.
- The reverse is also true; the use of illustrations, case examples and case studies should not be confined to the specific issues in the work assignments. With case studies you will find that the authors' teaching notes in Section 12 suggest many other issues and questions in *addition* to those cited in work assignments.

6. A guide to using the case studies

- Section 12 contains comprehensive teaching notes for each of the case studies that appear in the text and cases edition of *Exploring Strategy*. These notes have been prepared by the authors of each case study and edited by Steve Pyle. The facing page is a guide to the main focus of each case study and also appears in the book. The table also indicates the focus of the *classic cases*. These are a selection of cases from recent editions of the book which remain relevant for teaching. These can be found on the companion website.

- These case studies allow the reader to extend their linking of theory and practice by addressing the strategic issues of specific organisations in much greater depth – often providing solutions to some of the problems or difficulties identified in the cases. Cases are intended to serve as a basis for class discussion and not as an illustration of either good or bad management practice.
- The case studies have been chosen (or specifically written) to provide readers with a core of cases, which together cover most of the main issues in the text. As such, they should provide a useful backbone to a programme of study but can be supplemented by other material. We have provided a mixture of longer and shorter cases to increase the flexibility for instructors. In addition, there is a short case example at the end of each chapter (in both versions of the book). Some cases are written entirely from published sources, but many have been prepared in cooperation and with the assistance of the management of the organisation concerned. Case studies can never fully capture the richness and complexity of real-life management situations, however, and we would encourage readers and tutors additionally to take every possible opportunity to explore the live strategic issues of organisations – both their own and others.

GUIDE TO THE MAIN FOCUS OF CASES IN THE BOOK

PAGE NUMBER IN THE BOOK	CASES	Introduction to strategy	Strategy lenses	The environment	Strategic capability	Strategic purpose	Culture and strategy	Business-level strategy	Directions and corporate-level strategy	International strategy	Innovation and entrepreneurship	Mergers, acquisitions and alliances	Strategy evaluation	Strategy development	Organising for success	Managing strategic change	The practice of management	Public sector/not-for-profit management	Small-business strategy
544	The LEGO Group: adopting a strategic approach	●●																	
549	The global pharmaceutical industry – in the land of shrinking giants			●●						●									
559	Vodafone: developing communications strategy in the UK market			●●				●											
567	Global forces and the Western European brewing industry			●●						●									
571	A source of cheap energy or a source of problems – the potential benefits and costs of shale gas			●●														●	
575	H&M in fast fashion: continued success?			●●		●				●●									
583	The Formula One constructors: capabilities for success			●●				●		●									
591	Integration of a Corporate Social Responsibility programme in Coloplast				●●					●									
595	Manchester United FC: still successful despite new threats	●			●●														
600	Pierre Fabre: culture and the challenges of internationalisation	●		●		●●				●						●			
606	Adnams – a living company	●			●	●●	●	●								●			●
612	Ryanair: the low-fares airline – future directions?			●●				●●		●									
624	Marks & Spencer: is this as good as it gets?						●●	●								●			
629	Hotel du Vin: strategic entrepreneurship and innovative continuity in the boutique hotel sector						●●	●			●								●●
634	Going for growth: Teva's global strategy							●●	●●	●●									
639	CRH plc: dimensions of successful corporate strategy							●●	●●	●		●							
647	SABMiller: from strength to strength							●●	●●	●									
657	The internationalisation of Tesco – new frontiers and new problems								●●	●			●						
662	Gridsum and the Microsoft partner ecosystem: engaging in China and beyond?								●●	●		●							●

Key: ●● = major focus, ● = important subsidiary focus

PAGE NUMBER IN THE BOOK	CASES	Introduction to strategy	Strategy lenses	The environment	Strategic capability	Strategic purpose	Culture and strategy	Business-level strategy	Directions and corporate-level strategy	International strategy	Innovation and entrepreneurship	Mergers, acquisitions and alliances	Strategy evaluation	Strategy development	Organising for success	Managing strategic change	The practice of management	Public sector/not-for-profit management	Small-business strategy
666	Severstal and the global steel industry			●						●		●	●						
671	FeedHenry – innovating in the cloud							●			●	●							●
676	Flight Centre Limited		●					●			●	●			●	●			
680	Strategic leadership and innovation at Apple, Inc. ¹								●		●					●			
686	'Where's Irene and just exactly is she up to?' The acquisition of Cadbury PLC by Kraft Foods , 2010					●					●	●							
695	Gazprom and NIS : the oil and gas industry in Serbia					●	●				●	●							
700	International HIV/AIDS Alliance (B) : a strategy for 2020					●					●	●		●				●	●
707	The Mexican narco-trafficking problem							●				●	●						●
715	Dancing with the mouse: a strategic metamorphosis at Ocean Park , Hong Kong						●						●	●					●
721	GMB : strategic leadership in a trade union		●										●	●		●			●
727	Academies and Free Schools					●									●	●			●
731	Paul Polman and the revitalisation of Unilever						●	●								●	●		
738	LEAX : managing growth in a volatile world			●									●			●	●		●
742	Changing tracks at Babcock Rail						●						●			●	●		
749	In the boardroom at HomeCo					●		●				●					●	●	●
755	QR National – Aurizon					●		●										●	●

Key: ●● = major focus, ● = important subsidiary focus

There are also available on the website 'classic cases' from previous editions of *Exploring Strategy*. These are summarised below:

GUIDE TO THE CLASSIC CASES ON THE COMPANION WEBSITE *

CASES	Introduction to strategy	The environment	Strategic capability	Strategic purpose	Culture and strategy	Business-level strategy	Directions and corporate-level strategy	International strategy	Innovation and entrepreneurship	Mergers, acquisitions and alliances	Strategy evaluation	Strategy development processes	Organising for success	Leading strategic change	The practice of management	Public sector/not-for-profit management	Small-business strategy
Ministry of Sound: rapid growth but a questionable future	●																●
Electrolux	●	●															
Airline industry post-9/11: reshaping strategies and planning for the future in the wake of global shock		●	●														
European tour operators: confronting competition in the tourism industry		●	●					●									
Amazon.com 2007 to early 2009			●	●			●										
Inside Dyson – a distinctive company?			●	●													
Sheffield Theatres: strategy formulation for a wide audience of public and commercial stakeholders				●	●											●	●
(RED)				●	●												
Iona				●	●											●	●
Hermes Fund Management, Total and Premier Oil: the responsibility and accountability of business				●	●												
Marks & Spencer (A): can new initiatives and new management reverse a decline?					●	●											
Cultural turnaround at Club Med					●	●											
Cordia LLP: service reform in the public sector					●	●											
Thorntons: a variety of strategies in the manufacture and retail of chocolates						●	●										
Madonna: the reigning queen of pop						●	●										
Marks & Spencer (C): where next for the icon of British retailing?						●	●	●									
News Corporation: corporate logic and corporate management in a worldwide media business							●	●									
Lenovo computers: East meets West								●	●								
Coopers Creek: developments in domestic and international collaboration for a New Zealand winery		●						●	●								●
Skype: innovator and entrepreneurs									●	●							

* Classic cases are available at www.pearsoned.co.uk/mystrategylab

CASES	Introduction to strategy	The environment	Strategic capability	Strategic purpose	Culture and strategy	Business-level strategy	Directions and corporate-level strategy	International strategy	Innovation and entrepreneurship	Mergers, acquisitions and alliances	Strategy evaluation	Strategy development processes	Organising for success	Leading strategic change	The practice of management	Public sector/not-for-profit management	Small-business strategy
Sustaining the Magic of Bang & Olufsen					●	●		●			●		●				
Eden Project (A): inspiration, innovation and entrepreneurship to create a new 'wonder of the world'									●	●							
Eden Project (B): latest developments in a successful tourist attraction									●	●							
Police mergers: are mergers the best way forward in tackling major crime?										●	●					●	●
Alliance Boots: a major merger in the pharmaceutical distribution and retailing sector										●	●						
TNK-BP: from Russia without love – a joint venture that almost fell apart					●					●	●						
Final Fantasy captures Lara Croft									●	●							
International HIV/AIDS Alliance (A)				●					●	●		●				●	
Doman Synthetic Fibres plc (B)			●							●	●						
Ericsson: innovation from the periphery – the development of mobile telephone systems											●	●					
Direct & Care: strategy development in the multi-stakeholder context of public sector services											●	●				●	●
Hurricane Katrina: human-made disaster?												●	●				
Arts Council: changes in structure and responsibilities in funding the arts in the UK												●	●			●	●
BBC: structural changes to deliver a better service												●	●			●	●
Managing change at Faslane													●	●			
Marks & Spencer (B): turnaround at the high street legend													●	●			
Forestry Commission: from forestry management to service provider: the challenge of managing change					●	●							●	●			
UNHCR: managing change in a global not-for-profit organisation			●	●								●	●		●	●	
Ray Ozzie: software strategist															●	●	
NHS Direct: managing in difficult times																●	●

7. MyStrategyLab

www.pearsoned.co.uk/mystrategylab

Material for students and tutors is added and updated on a regular basis.

For students:

- Dynamic eText that can be bookmarked and annotated
- Revision aids (flashcards, key concepts and glossary (six languages))
- Self-assessment questions, feedback and a personalised study plan
- Help with case studies (weblinks, FT articles and advice on analysing cases).

For tutors:

- PowerPoint slides
- Suggested teaching notes
- Over thirty classic case studies from previous editions
- Secure testbank of over 600 questions.

8. Exploring strategy teachers' workshops

Each year since 1989, the authors have held one-day workshops for teachers who use *Exploring Strategy* or are considering doing so.

These have been practical days concerned with how teachers might gain most advantage from the book and the associated teaching/learning aids (illustrations, case studies, work assignments, video and website materials).

In addition, these annual workshops have provided a forum to meet with the authors and other strategy teachers and share experiences of teaching problems and their solutions.

Further, information about forthcoming workshops can be obtained from the publisher and the website at <http://www.mystrategylab.com/workshops>.

INTRODUCING STRATEGY

Introduction

This chapter has been restructured since the last edition, particularly to put the *Exploring Strategy* model of position, choice and action in a more prominent position. This model should serve as a useful summary of the book's perspective on strategy as well as a practical heuristic for approaching strategy problems.

Illustration 1.1

Vice pays

Many students will be familiar with Vice Media, amused or perhaps offended. Anyway, the main purpose of this illustration is to introduce students to the range of issues that make up strategy. It touches directly on key topics introduced in this chapter, for example, strategic purpose ('the largest online media company in the world'); corporate-level strategy (Vice is both international and diversified, with a pub as well); and corporate culture ('weird'). With respect to the specific questions:

1. How does Vice Media's strategy fit with the various strategy definitions of Alfred Chandler, Michael Porter and Henry Mintzberg (see Figure 1.1)?

On the definitions of strategy: in terms of Figure 1.1, Vice seems more Mintzbergian than Chandlerian in its emergent approach to strategy ('we didn't have a business plan...'). It might be worth discussing whether this is more typical of entrepreneurial start-ups than larger corporations and the pros and cons of this (a business plan can be pretty important to early-stage investors: see Chapter 9). At the same time, Vice seems to have a Porterian concern for uniqueness, differentiating itself by offering edgy media worldwide.

2. What seems to account for Vice Media's success and is it sustainable?

Accounting for Vice's success: on the Porterian principle, Vice is clearly different and in a way that is valued by its customers (principally its *advertisers*, not simply its readers). There is also the enthusiasm of its entrepreneurs and the passionate culture they have created. It is important to ask how sustainable this success is. Diversification and growth threaten the 'weird' culture that gives the company its energy and its differentiation. Sustaining this culture is something that Shane Smith himself recognises as 'one of our big challenges going forward'.

Illustration 1.2

Strategy statements

An important point in this illustration is to show how strategy applies to widely different kinds of organisations – both a large technology company and a public university. Although the precise content of the two organisation's materials vary, they both cover the major issues involved in a strategy statement: goals, scope and advantages/capabilities.

1. Construct short strategy statements covering the goals, scope and advantage of Samsung and the University of Utrecht. How much do the different private and public-sector contexts matter?

Strategy statements for Samsung Electronics and Utrecht University. Samsung is very clear about its goals (\$400bn in revenue, and top five brand by 2020; note its vision – 'Inspire the World, Create the Future' – sounds more like a mission statement); its scope is clearly expanding, from mostly consumer electronics into health, medicine and biotechnology; and Samsung believes its competitive advantages lie in new technologies, innovative products, creative solutions and the brightest talent in the world.

Utrecht University is clear about its mission ('educate young people ... address social issues', etc.) and adds some specific quantified targets (retain third place, etc.); its scope is equally education, research, research training and addressing social issues; and its capabilities and advantages (over some rivals at least) lie in its University-wide education model, its Summer School and so on.

On the face of it, there is not much difference between Samsung and Utrecht: strategy statements – and strategy – are relevant to both private and public sectors. However, you might notice that Samsung features a financial goal (revenues), whereas Utrecht prioritises a quality goal (the highest number of programmes rated good or excellent).

It might be worthwhile challenging the claims to competitive advantage of both Samsung and Utrecht. How unique are Samsung's competitive advantages (*vis-à-vis* Apple or HTC)? Does Utrecht have very substantial competitive advantages over many other universities internationally (for instance, your own!)? Here, one could refer forward to Chapter 3, and its discussion of valuable, rare, inimitable and non-substitutable resources.

2. Construct a strategy statement for your own organisation (university, sports club or employer). What implications might this statement have for your particular course or department?

Strategy statements for students' own organisations. This may well surface the fact that some provide more public information than others, and are often vaguer about particular issues, especially sources of competitive advantage. You might encourage students to discuss the reasons for this. Clear statements of detailed strategy – competitive advantage, precise objectives and so on – are rather more difficult to construct than broad claims about where organisations want to go. Asking students why they think this is the case that should surface issues of the complexity of strategy development, competition and accountability.

Illustration 1.3

Strategists

This illustration is intended to reinforce the theme that strategy is something that students could get involved in personally – as a middle manager (Galina), as in some sense a strategic planner (Masoud) or as a strategy consultant (Chantal). All of these roles are further discussed in Chapter 15.

The two questions ask students to think about strategy in relation to their own education and careers. The references at the end of the chapter point them to the major consulting firms' websites and graduate employment website *www.vault.com*, all of which have an abundance of interesting and attractive material relating to strategy consulting in particular.

The three strategists also usefully raise concepts and techniques that appear later in the book. You might like to note particularly how Galina raises issues to do with the role of strategic planning versus emergence (Chapter 12) and Masoud talks about the importance of operations and delivery.

Video assignment

British Heart Foundation (BHF)

The British Heart Foundation is a large UK charity focused on research into coronary heart disease. It was founded in 1961 by a group of medical professionals wanting to fund extra research into the causes, diagnosis, treatment and prevention of heart and circulatory disease. In 2012, the BHF raised over £128m to fund its activities. The BHF not only funds a high proportion of the UK's research into cardiovascular disease (over 50%), but also undertakes a lot of education and care activity. Peter Hollins is the Chief Executive who, as the video says, is responsible for the strategy and its delivery on behalf of the BHF trustees and the stakeholders.

1. Section 1.2.3 gives a clear summary of what is meant by a strategy statement – it should have three main themes: the fundamental *goals* (mission, vision or objectives) that the organisation seeks; the *scope* or domain of the organisation's activities; and the particular *advantages* or capabilities it has to deliver all of these. Students will have their own ideas on how to construct this statement – it probably works best if you let them have a go at this without much prior discussion or research and then discuss the outcomes. However, if the students are given time to research the subject there is plenty of relevant material on the BHF website (<http://www.bhf.org.uk/pdf/BHF%20Report%20and%20Accounts%202012>).

Our vision is a world in which people do not die prematurely of heart disease.

Our mission is to play a leading role in the fight against disease of the heart and circulation so that it is no longer a major cause of disability and premature death.

Our objectives are:

- To pioneer research into the causes of heart disease and improved methods of prevention, diagnosis and treatment
- To provide vital information to help people reduce their heart health risk

- To help attain the highest possible standards of care and support for heart patients
- To reduce the inequalities in levels of heart disease across the UK
- To press for government policies that minimise the risk of heart and circulatory disease.

The scope of BHF's activities are clearly defined and limited by its charitable status – it is primarily focused on research into one set of related diseases and its activities are limited to the UK (although of course the benefits of research can be global).

The BHF has distinct capabilities that arise from its pre-eminent position as a well established charity (over 50 years) and its links with the top cardiovascular physicians in the UK. Its trustees and council members represent the best doctors in the field.

2. Figure 1.3 shows the *Exploring Strategy* model which is the framework on which the whole textbook is founded so it is useful to make sure students are familiar with its elements. A useful approach is to take each element of the model (or selected elements if time is short) and give relevant examples from BHF to illustrate the point. For example, the changes in the economic environment (recession) create opportunities and threats for the BHF – as Peter Hollins says recession can hit the amount raised in fundraising activities but provides opportunities in the retail sector (more customers in their charity shops and better deals on rents). A crucial part of strategy choice for the BHF is how best to invest the funds it raises. In 2012, the BHF spent 71% of its funds on research and 29% on prevention and care – including a high profile advertising campaign with the footballer Vinnie Jones which some students may remember. The BHF wants to avoid plugging holes from a shortfall in Government funding of research whilst at the same time supporting its fundamental mission. It should be possible to introduce the idea of multiple stakeholders at this point and engage in a discussion of multiple objectives and constraints. If time permits discuss some issues around putting strategies into action – an aspect of the CEO's job that Peter Hollins is well aware of. The annual report gives a full account of the work that the BHF did in meeting its objectives and how they did it.

Assignment 1.1

Strategy statements

The purpose of this assignment is to get students to engage with strategy in real organisations. These could be their own university or – better, in order to get a range – their actual employer or a desired employer. Students should be told to expect that the extent of information is likely to be variable. Students could be asked to ponder why some organisations are more informative than others. Published strategy information is often particularly deficient in two areas:

- Details with regard to objectives: vision and mission statements are common. However, organisations are often reluctant to reveal much about their detailed objectives both for fear of giving clues about their precise strategy to competitors and because they do not wish to be held tightly accountable should they fall short.
- Competitive advantages: organisations often draw attention to various strengths or resources that they have, but they do not show how these actually constitute advantages over competitors. For example, many universities claim to have a long historical heritage, but they do not explain why this is actually an advantage in competition today or show how their heritage is really advantageous against other universities with similarly long histories.

It is useful to encourage students to be critical of the strategy information that is made available publicly. You might also alert them to the varying ways that organisations use the same term (e.g. vision and mission) in practice. Students ought to be aware of how strategy concepts often depart from the textbook in the real world.

Assignment 1.2

The Exploring Strategy Model

This assignment requires students to use Figure 1.3 as a guide to identifying the different elements in the strategy of an organisation. It can be very useful in terms of highlighting the scope of the subject and the organisation of the book.

The Lego case in the case section of the book is designed for this exercise and the teaching notes for the case studies later in this manual provide a guide to its use. Using the student's own university would be the basis for a more substantial piece of work, but would also reinforce the theme that strategy is close to home, and relates to the students' own lives. Likewise, a desired future employer would be an engaging assignment.

It might be helpful to provide students with a 'blank' version of the three circle model for them to fill in themselves.

Assignment 1.3

Strategy consultants

Reinforcing the message in Illustration 1.3 ('Strategists'), this assignment is intended to emphasise to students that strategy is not just for top managers or about the fate of big organisations. Strategy is a kind of work that they too could do. For many students, the attraction of courses such as marketing or human resource management is that they lead directly into a career. For strategy, that direct link to a job is often not so clear. This assignment asks them to consider what is attractive (and not so attractive) about strategy work in a strategy consulting firm. It also encourages them to think about what they might need to do to get such work (typically a very high class of degree!).

Assignment 1.4

Strategic management by context

The aim of Assignment 1.4 is to help students understand that the elements of strategic management shown in Figure 1.3 are likely to differ somewhat between different types of organisation. This is raised in Illustration 1.2 of the text (Samsung and Utrecht University). Students should be able to see differences in different contexts. Try to get them to consider this in terms of specific organisations they know; or from articles in the press on businesses and business problems; or from the case section of the book as suggested below. Some of the differences which should be identified might be the following:

A small business is typically heavily influenced by an individual (e.g. owner) or small group, so understanding the values and views of such *stakeholders* is vital. However, typically small firms also face important *strategic choices* about the basis on which they compete (e.g. should they seek particular market niches?), how they configure scarce *resources* and maintain flexibility in strategic response. It can be useful to ask students to consider how these issues might change as businesses grow.

The complexity of a multinational business such as Vodafone or SABMiller will mean that global logistics and structure and control are important. However, the students should also see that other elements of strategy are also there; both organisations have portfolio *strategic choices* to make; they have had to integrate after *mergers* and manage disposals; they face differences of *culture* between parts of the company and in different countries; and need to determine ways to *control* their operations across the world.

The influences on strategy in a public sector organisation require the student to recognise the nature of public control and influence. A wide range of stakeholders is likely to be important in both the public sector and not-for-profits. Determining and planning the *allocation of resources* in a context in which different *stakeholders* have significant influence is a major issue, as in both Aids Alliance and Queensland Rail.

Overall, students should understand that all the elements of strategic management are important in most organisations; but that the weighting between these elements may differ.

Case Example

Glastonbury: from hippy weekend to international festival

This case is based on an entertainment area where many students will feel comfortable in having some knowledge. Yet, they are unlikely to have considered the strategic implications that pervade such an area. Below, these notes address the specific questions highlighted in the case example. However, it's worth considering some interesting features of the case that offer opportunities for wider discussion. Firstly, note that this case is driven by cultural events that, unlike typical consumer goods, have a short shelf life and ought to be broadly seen as services. Secondly, the case focuses on more recent activity in this market but highlights some of the history of the event. Naturally, the strategic environment varies across the period and students may find this change across time slightly distracting. However, as particularly in Chapter 4, the repercussions of organisational history are a strong theme in *Exploring Strategy*. Thirdly, this case raises interesting issues about corporate purpose and sustainability that will be important to young managers in the future. In other words, whilst some seek profit, others seek to conserve the resources of the planet or be fair to its people: again, these are themes in Chapter 4. Finally, 2012 sees the festival at something of a crossroads in that it has lost the operational support from Festival Republic that originally helped rescue them from fundamental problems. Although this might diminish the corporate image that some have criticised, and gives the festival independence in terms of choice of future direction, Glastonbury may be short of key capabilities. All these issues are areas that might be explored with students as a pointer to key areas for their own strategic management, i.e. increasing importance of services, rapidly changing environments, sustainable development and the importance of strategic choice.

1. Sticking to the 35 word limit suggested by Collis and Rukstad in Section 1.2.3, what strategy statement would you propose for the Glastonbury Festival?

Strategy statement

Consideration of Section 1.2.3 reveals the following points of discussion:

- In terms of the goals of Glastonbury, these are clearly stated at the outset in the sense of a 'social mission', reflected in continuing support of Greenpeace, Oxfam and similar. However, it is worth considering their recent complex relationship with corporate sponsors and the Mean Fiddler/Festival Republic.
 - The scope of Glastonbury's activity has clearly changed in operational terms, reflected in their name as a Festival for Contemporary Performing Arts, including circus and poetry. Geographically, it remains bounded by the Glastonbury location (though an international audience might be seen as an untapped opportunity).
 - Their advantage may be their position as one of the most varied and high-quality festival experiences, or, their place as an 'iconic' event. It is worth asking students to consider pricing data relative to competitors and over time (Table 1 and Figure 1) for what they may say about the strength of their competitive advantage.
2. Carry out a 'three-horizons' analysis (Section 1.2.1) of the Glastonbury Festival, in terms of both existing activities and possible future ones. How might this analysis affect its future strategic direction?

'Three horizons' analysis

Consideration of Section 1.2.1 reveals the following points of discussion:

- It might be claimed that Glastonbury has been short sighted and purely focused on the first horizon of core arts activities. The recent dropping of Festival Republic might even suggest a narrowing of already slender horizons.
 - Other festival organisers (e.g. Live Nation) have been more focused on the second horizon, with a portfolio events and ticketing included in their approach. Notice how some of the festivals in the figure are gaining scale economies by operating across two sites on the same festival dates.
 - A third horizon encompassing wider aspects of entertainment might be considered too, for example, various kinds of media for transmitting the contemporary performing arts.
3. Using the headings of environment, strategic capability, strategic purpose and culture seen in Section 1.3.1, identify key positioning issues for the Glastonbury Festival and consider their relative importance.

Environment, strategic capability, strategic purpose and culture

Consideration of Section 1.3.1 reveals the following points of discussion:

- A wide range of environment issues emerge with opportunities such as sponsorship and threats such as increased competitors.
- Issues such as the increasing legislation around events show how a threat to Glastonbury becomes an opportunity for one of its partners.
- Glastonbury seems to have some excellent resources but has needed others (e.g. Festival Republic) to fully develop capability.

- Strategic purpose is mixed as described earlier in consideration of the strategy statement.
 - The hippy culture back at the start of Glastonbury's history has a clear impact on its ability to become financially sustainable. Indeed, it might be suggested that the rejection of more corporate elements could send them back to this problem without careful management.
4. Following on from the previous questions and making use of Section 1.3.2, what alternative strategies do you see for the Glastonbury Festival?

Alternative strategies

Consideration of Section 1.3.2 reveals the following points of discussion:

- The case starts to question Glastonbury's ability to be different in the face of wide ranging competition.
 - Leveraging the brand to create other festivals outside of the UK might be considered.
 - Diversification into other products such as merchandise, recordings, artist management, broadcasting, etc. might be discussed.
 - As Glastonbury is no longer part of a festival portfolio, the elements above become even more important.
5. Converting good strategic thinking into action can be a challenge: examine how the Glastonbury Festival has achieved this by considering the elements seen in Section 1.3.3?

Strategic thinking into action

Consideration of Section 1.3.3 reveals the following points of discussion:

- Evaluation of the strategic options from above should reveal a number that is suitable, acceptable and feasible.
- Yet, their future strategic direction cannot be developed without the cooperation of others.
- Glastonbury itself appears to be very reactive and their strategy is emergent.
- Though he appears to be a figurehead for Glastonbury, it is clear that leadership and change management may not come from Michael Eavis but be driven from elsewhere within the family.
- All in all, the case shows that being large and successful is not all that is involved in strategy – for the Eavis family, social issues, artistic integrity, legacy and control are important too.

PART I

THE STRATEGIC POSITION

THE ENVIRONMENT

Introduction

The first part of this chapter has been substantially re-written, with new concepts such as the non-market environment, weak signals, megatrends and inflection points introduced. The core of the chapter remains Porter's Five Forces analysis.

Illustration 2.1

Oil's troubled waters

BP's predicament after the Deepwater Horizon disaster allows one to illustrate the full range of the PESTEL factors. The first question helps move students on from simple PESTEL lists towards priorities and action; the second question addresses explicitly the fuzzy boundaries of PESTEL's categories, something students will often have to cope with in strategy.

1. Which of the above PESTEL factors offer the most important opportunities to BP, and which the most important threats?

Important opportunities and threats: BP seems surrounded by threats, from hostility in the key market of the US to its weakness in the highest growth region, China. An opportunity is clearly fracking, but its cost advantages are liable to undermine prices for its existing energy businesses (evident already) and fatally disadvantage its much more expensive alternative biofuels and windpower businesses. Fracking thus has that common characteristic of being both opportunity and threat, a situation whose frequency is worth discussing with students. Note the Shale Gas case study in the Text and Cases edition.

2. Which of the above factors spill over from one PESTEL category to another? Does this matter?

Spill-overs between categories: several of these factors spill-over: for instance, shale gas under Economic, Technological and Ecological; the ramifications of the Deepwater Horizon disaster under Political and Legal. This is common and students should not worry about it. The only danger from having identified a spill-over from one category to another is that it may short-circuit the analysis: other independent factors should still be looked for in the relevant categories. For example, including US government hostility under Political in Illustration 2.1 as well as Legal should not exclude consideration of other Political factors, such as Russian, Saudi and Iranian state-oil companies' threats.

Illustration 2.2

Scenarios for the global fashion industry, 2025

Scenarios help students think long term and very broadly: here Levi Strauss and the London fashion students have been looking 15 years ahead and thinking about major social and technological change as well as the fashion market in a narrow sense.

1. Which scenario would Levi Strauss most desire and which would it most fear?

Desirable and undesirable scenarios: this question helps go beyond the general descriptive nature of scenarios to strategic implications for particular companies, here Levi Strauss. All scenarios are highly challenging for the company. However, Techno-chic would probably favour Levi Strauss most as allowing for international trade and large consumer markets, while demanding the sort of capabilities and investment that a large company could harness: pharmaceutical companies could be partnered with, rather than fought as competitors. Community Couture would not favour either a multinational such as Levi Strauss or the survival of traditional mass markets, a double whammy for the company. One could imagine Levi Strauss adapting to Patchwork Planet or Slow is Beautiful, but they too would demand radical changes in strategy, worth discussing with students.

2. What are the implications of these fashion industry scenarios for other industries, for example hotels or retail?

Implications for other industries: the scenario whose relevance students would hesitate over most is probably Techno-chic. Here, one approach would be to suggest that a world of 'smart' clothes would likely also be one of radical innovation in other technology domains (for example, 3D printing in every household reducing the need for retail stores or distribution centres, or virtual reality reducing the need for travel in order to achieve physical presence). The other three scenarios would all be very challenging for multinational, mass-market retailers or hotel chains.

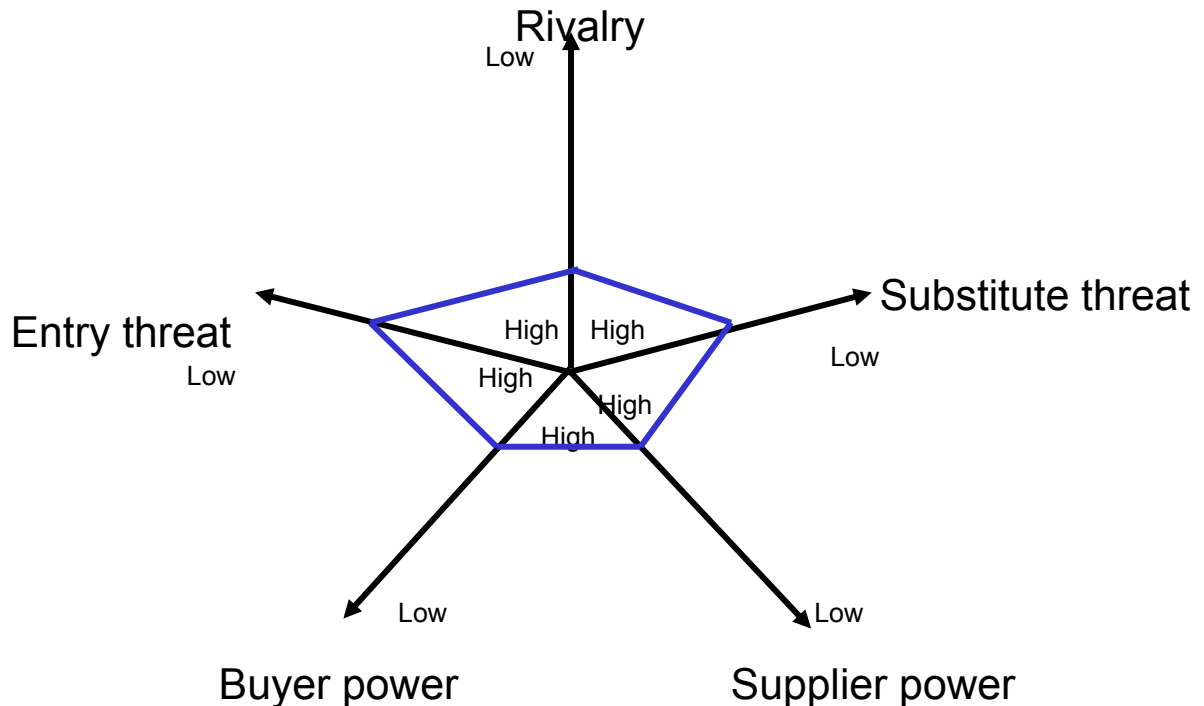
Illustration 2.3

The consolidating steel industry

The steel industry provides a fairly easy-to-understand case of rapid structural change, and one led by industry actors. Understanding how the leading companies are making an impact helps to counter a risk of 'determinism' in Porterian analyses; such determinism is liable to give an undue sense that structures are given rather than changeable.

1. How attractive is the world steel industry? What accounts for this?

Attractiveness of the world steel industry: the first question can be approached using the radar-plot device introduced in Figure 2.7. The radar-plot might look roughly such as the following:



The small enclosed area indicates low profit potential: the industry is unattractive. Buyers are sophisticated (in automobiles) and still relatively concentrated (in canning at least, though less so in automobiles now). Iron ore suppliers are highly concentrated and can maintain relatively high prices even in recession (compare with the steel price trend, the same in 2012 as 2005). Entry threat is probably more moderate now, but Chinese producers have shown it is fairly easy to get in: there are no clear technological or differentiation barriers, and Chinese producers may flood into new markets as their home market becomes more difficult. There is a moderately high substitution threat too, with new materials and even steel's own technological advances reducing volume requirements. Rivalry is high despite efforts at consolidation: the industry lacks a dominant player and, as the French case shows, it is difficult in mature markets to reduce capacity.

2. In the future, what might change to make the steel industry less attractive or more attractive?

More or less attractive in the future. The big threat is the flooding of world markets by the huge Chinese steel producers, increasing rivalry in order to use up surplus capacity due to overinvestment. One key opportunity probably lies in further consolidation, through acquisitions of struggling players and the closure of excess capacity, both tending to reduce rivalry. Another opportunity might be technological innovation increasing barriers to entry and providing opportunities for differentiation, so capping simple price competition. Vertical integration into iron ore (or coal) production would be nice (especially during upswings in the economic cycle), but almost certainly too expensive.

Illustration 2.4

Chugging and the structure of the charity sector

1. Which of Porter's Five Forces are creating problems for the United Kingdom's charity sector?
2. What type of industry structure might the charity industry be moving towards? What would be the benefits and disadvantages of that structure?

The aim of this illustration, of course, is to show that industry structure analysis is relevant to not-for-profits as well. Indeed, charities appear ruthlessly competitive – hence the High Street chuggings.

The first question points to at least three of the Porterian forces as causing problems:

- (i) There are low barriers to entry, with 'constant refreshment' of the industry by new charities;
- (ii) There is strong buying power on the part of local authorities commissioning services;
- (iii) There is intense rivalry because of the number of competitors and tendency towards overlap and duplication of charitable services. In addition, they face substitutes in the form of local authorities and other agencies performing services in-house, but at this point the trend in that respect was in their favour. The suppliers of funds – donors – have many alternative charities to give to.

The mergers and increasing concentration levels (the largest are growing fastest) imply growing industry consolidation. At the moment, the industry structure might be described as highly competitive, but there may be widespread advantages to it moving towards a more oligopolistic situation.

Key Debate

How much does industry matter?

This debate addresses an enduring source of controversy in strategy research, and allows students to review the importance of the contents of Chapter 2 (particularly the 'Five Forces'), at the same time as introducing the more internally focused issues of Chapter 3 that follows.

For Porter, industry matters a lot. The sceptic might argue 'he would say that, wouldn't he'? After all, this is exactly what his training in industrial economics and the standard products of his consulting firm would favour. However, the important thing here is to recognise the extent of the research he (and collaborators such as Anita McGahan) draws upon to make their case. It is worth pointing out to students that strategy theories are more than 'just theories': there is solid empirical research involved too. When meeting a new theory, students should get used to asking: where is the research evidence?

What the research seems to suggest is that an industry is not the be-all and end-all, but that choosing an attractive industry is a very good starting point in strategy: industry accounts for

about two-fifths of the explained variance in the Porter and McGahan study (leaving aside control variables, etc.).

Turning to the precise question, the kinds of industries that influence members' profitabilities more than others seem generally to be service industries (explaining the greater industry effects in the Porter and McGahan study than in Rumelt's). But to go on from here, industry influences are most likely to be strongest in highly competitive and mature industries. In such industries, sources of firm-specific differentiation are likely to be few, easily imitated and easily competed away, so making it hard to earn above-normal profits. At the same time, standard recipes for competing would have been established, so only the incompetent would perform substantially below the norm (and competition should have eliminated most such incompetents by the industry maturity stage). These conditions would probably prevail in service industries such as hotels, restaurants and retail. Newer industries are likely to offer more scope for innovation and differentiation, and have fewer commodity competitors and suppliers, so allowing persistent variability in profitability.

Video assignment

Environmental change for Nationwide and Pearson

The video features Paul Carvell who is the head of the credit card product at Nationwide and Mark Pearson who is responsible for strategy and business development in the international division of the Pearson group. They discuss changes in the macro and competitive environment for their organisations and how these changes can open up opportunities and create threats. The video links to Sections 2.2 and 2.3 in the text.

1. This question looks at the external (macro) environment facing the Nationwide building society and invites students to apply the PESTEL model to pick out some key drivers of change. Speaking in 2013, it is no surprise that it is economic changes that dominate his thinking. The period from 2008 to 2013 was a period of recession especially in Europe. He refers to weakening consumer demand for spending and borrowing on credit cards (a threat) and the increase in the level of bad debt. Interestingly because the Nationwide is more risk averse than many other financial institutions it has not suffered as much as others in this regard. Increased regulation (a legal factor in PESTEL) has been an important factor – mis-selling of PPI (Payment Protection Insurance) has cost many financial institutions a lot (threat). The change in regulations has effectively terminated this lucrative revenue stream. Carvell also refers to changes in technology (e.g. e-wallets and mobile banking) and a cultural shift where consumers are using debit cards more and credit card usage is flat (a socio-cultural factor in PESTEL). No doubt students will be adding their own contributions to PESTEL factors in the financial services markets.
2. The first part of this question refers particularly to the inner circle in Figure 2.1 'competitors'. It is also relevant to the discussion of industry 'convergence' in Section 2.3: the formerly distinct industries of textbook publishing, education and digital media are converging. As a consequence, Pearson's traditional publishing competitors – MacMillan, McGraw-Hill, Cengage, Oxford University Press, Cambridge University Press are all mentioned – are being supplemented by new competitors. From the digital world, Apple, Microsoft and Google are mentioned as likely competitors in the future. Mark Anderson does not specify particular higher education institutions, but they too are now competitors as well, given Pearson's foray into directly teaching students.