

# The Fast Forward MBA Pocket Reference

SECOND EDITION

PAUL A. ARGENTI

*The Tuck School of Business  
Dartmouth College*



John Wiley & Sons, Inc.



**The  
Fast Forward MBA  
Pocket Reference**

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*For my parents, Nick and Elenora*



# ABOUT THE AUTHOR

**Professor Paul A. Argenti** has taught management and corporate communication starting in 1977 at the Harvard Business School, from 1979 to 1981 at the Columbia Business School, and since 1981 as a faculty member at Dartmouth's Tuck School of Business. He has also taught as a visiting professor at the International University of Japan, the Helsinki School of Economics, and Erasmus University. He currently serves as faculty director for the Tuck Leadership Forum and as chair of Tuck's Curriculum Committee. He has previously served as faculty director for the Tuck Executive Program (TEP), Update 2000, and for Tuck's senior executive program at the Hanoi School of Business in Vietnam.

Professor Argenti has provided management and corporate communication consulting and training for over 50 corporations and nonprofit organizations in both the United States and abroad over the past 23 years. His clients cover a broad range that includes Goldman Sachs, Sony, Kmart, and Martha Stewart.

This second edition of Professor Argenti's *The Fast Forward MBA Pocket Reference* is a revision of the work published in April 1998 by John Wiley & Sons. He has also authored two editions of his McGraw-Hill/Irwin textbook *Corporate Communication*; the textbook will appear in a third edition in 2003. His new book *The Power of Corporate Communication* (coauthored with UCLA's Janis Forman) will be

published in 2002. Professor Argenti is the editor of *The Portable MBA Desk Reference*, a best-seller, which was published in 1994 by John Wiley & Sons. He has written over 75 case studies, and is the author of articles for both academic and managerial journals. Professor Argenti also currently serves on the editorial board of *Journal of Business Communication* and is associate editor of *Corporate Reputation Review*. He sits on the board of advisors for the Institute for Brand Leadership.

Both *The Wall Street Journal* (2001) and *U.S. News & World Report* (1994) have rated Professor Argenti's department number one in the nation. He received a Fulbright Fellowship in 1987 to study in England. He also earned an undergraduate degree from Columbia College (in 1975), and graduate degrees from Brandeis (in 1979) and Columbia (in 1981) Universities.

# ACKNOWLEDGMENTS

Writing a book that takes an author beyond his own area of expertise leads inevitably to help from others. Professor James Seward from Tuck provided the raw material for the chapters on accounting and finance; Cathy Sirett shaped the chapter on organizational behavior; Mary Munter's ideas shaped much of the chapter on communication; Steve Lubrano, assistant dean at Tuck, provided the material for the chapter on the job search; Maura Harford, a writer and consultant from New York, and Mary Tatmau a former research assistant here at Tuck were instrumental in creating the other chapters in the book; and Laura Turner, an undergraduate research assistant from Dartmouth, helped immeasurably with the development of key terms. But this book would have taken much longer to produce without the incessant cajoling of my most trusted research assistant here at Tuck, Abbey Nova. She made the book come together and deserves credit for what you hold in your hands. I would also like to thank Lorri Hamilton, Kimberley Tait, and Jamie Neidig for their assistance with this edition. Finally, I would like to thank Larry Alexander and Paula Sinnott at Wiley for their patience and interest in this second edition.



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**Y**ou know that the skills taught in MBA programs are essential to success in business today, but you can't afford either the tuition or the time away from your job. Or maybe you received an MBA several years ago and feel that some of the ideas and references you have in your notebooks are outdated.

This book is geared to those of you who want to learn more about the kinds of material covered in the top business schools without actually having to spend the time and money involved in attending an MBA program. Each chapter introduces you to the most important ideas from some of the most critical business school disciplines: strategy, communication, marketing, organizational behavior, economics, accounting, finance, entrepreneurship, and international business.

In addition, we have included a chapter on conducting the job search. Most top business school programs put a heavy emphasis on helping students to get jobs, and this chapter reflects that emphasis.

Each chapter follows a similar format. Chapters start with the basics of each discipline. We have tried to provide you with the most current thinking culled from top experts in each field. The overview is not meant to be comprehensive, but rather to give readers the essence of a topic.

Lists of *Internet Resources* and *Critical References* follow the basics for each chapter. These are the most critical and up-to-date resources to mine the ideas that have shaped and

continue to shape the thinking behind each discipline. Those of you who want more detailed information will benefit from this extensive list of the best sites, books, articles, and journals in each field.

The *Key Concepts* section is found at the end of the book—these are terms that you really need to know to understand each field, alphabetized for easy reference. Here you will find all of the most important terms and ideas that people who work in these fields use and understand.

This second edition has been thoroughly updated and revised to reflect the dramatic changes that have taken place in the world of business since the first edition was published in 1997. In addition, we have moved the Key Concepts section to the back of the book to provide you with a handy reference for terms you need defined both as you read and in your daily work.

In all, the second edition of the *Fast Forward MBA Pocket Reference* should become an invaluable companion for you whether you just want to know a little bit about a topic or are seeking a more comprehensive look into a discipline. We hope that you will find the information easy to use, and that you use it to great success.

*Paul A. Argenti  
Hanover, New Hampshire  
June 2002*

# Strategy

**S**trategy, in simplest terms, is one's plan to reach predetermined goals. A corporation frequently sets goals to increase profitability, to reach new revenue levels, and to be the leading producer of its products. This company's strategy then becomes a roadmap to reach these goals through a series of actions and analyses.

However, a company's strategy is rarely crystal clear. Many managers find it extremely difficult to state their corporate strategies, let alone describe how these may differ from those of their competitors and business partners. Deciphering—and in many cases redefining—one's strategy can be a time-consuming yet effective process to help propel a business forward into a more efficient or profitable enterprise and a more cohesive culture.

Countless theories and frameworks have been developed to assist business leaders in evaluating their corporate strategies. As opposed to going through dry and lengthy discussions of each strategic tool, this chapter offers a case example to illustrate how to analyze a business situation strategically. We will follow this case example to explore a few of the strategic frameworks a manager might use. And, finally, we will briefly discuss some additional strategic frameworks you may want to keep in mind. Note that different businesses at various stages in their life cycles may require different strategic tools, and a specific business problem or competitive environment

may require a completely unique strategic response. These tools are only meant to be frameworks from which a manager can create an applicable and effective strategy.

**CASE EXAMPLE: REDD’S FUN PARK,  
HATSVILLE, TEXAS**

Redd’s is an outdoor fun park situated on 15 acres of land in Hatsville, Texas, 30 miles outside of San Antonio. Redd’s is owned and operated by Bill and Joan Redd and their extended family, and has been known in the area as a good family fun place for the past 12 years. For the first 10 years, the fun park had two main attractions: a nine-hole mini golf course, and a speedway race track with mini race cars similar to those found at Disneyland. Two years ago, Redd’s expanded and built a new high-speed roadster racetrack and a building that houses a snack-bar-type restaurant, full-service bar, pool tables, and the latest in high-tech video games (3D, etc.). See park layout in Figure 1.1.

One day, sitting at his desk in the new building, Bill started thinking about some changes he was noticing in his clientele, and then he began wondering which parts of his park were

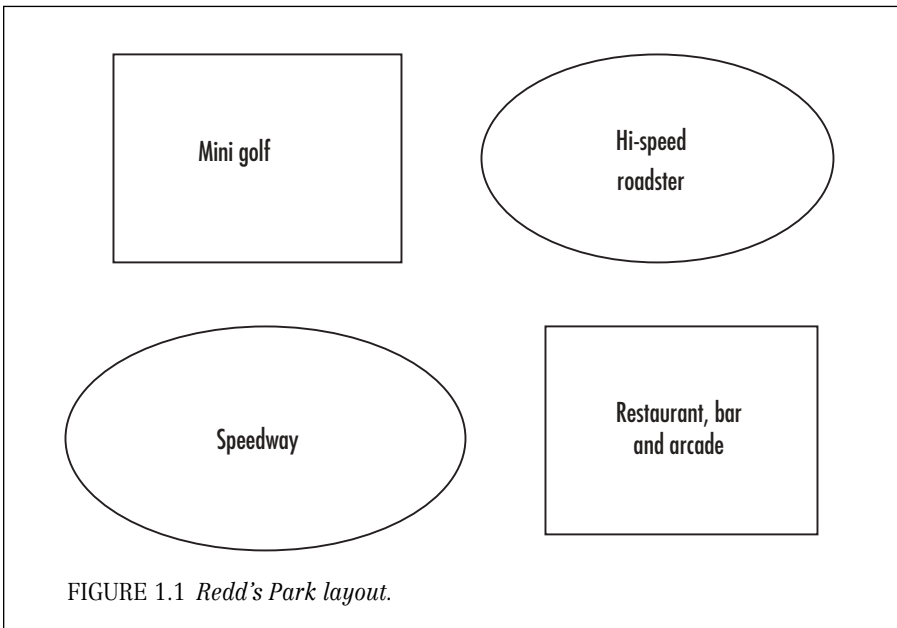


FIGURE 1.1 *Redd’s Park layout.*

most profitable. He and Joan had expanded to deal with new competition cropping up in San Antonio, but he had the uneasy feeling that the family business was taking a turn that he couldn't control. Bill had several questions and really no idea how to start answering them.

### **Background on Redd's**

Bill and Joan started Redd's Fun Park 12 years ago when their four kids kept complaining that there was nothing to do. To get the youngsters away from the television set, Joan came up with the idea for a mini golf course, and then their eldest son Baxter pleaded for a racetrack that he and his friends could ride on. Bill and Joan set about building these attractions on their private land, and the park soon became a Hatsville weekend tradition for families seeking outdoor fun.

Times changed, and Bill started seeing bigger attractions build up in nearby San Antonio, such as other speedways and new, shiny indoor entertainment centers that boasted the latest in arcade games. His teenage sons were driving out to the big city on the weekends with their friends. Bill and Joan talked with some friends and were persuaded to add the two new features they hoped would win back clients and maybe even draw in some new ones.

### **Case Analysis**

Sitting at his desk that day, Bill realized he needed to reassess his decisions and think about what was driving his business. Joan had successfully run her own shoe store for 15 years and had read several business books that she said helped her succeed. Bill had always chuckled at this, but now he threw on his Stetson and headed home to check out her books.

Once home, Bill started pulling out anything that wasn't too thick and had the word "strategy" in the title. He poured himself some iced tea and soon was deep into reading and trying to understand what was making his business tick.

### **Starting to Analyze**

Bill's first read was *Competitive Strategy*, a book by Michael Porter. Admittedly, he skimmed through some sections, but he

liked when Porter was discussing how internal and external forces affect a corporation. Porter stipulated that for an organization to succeed, its managers have to have:

- A good command of its internal workings
- A comprehensive understanding of the industry in which it functions
- A working knowledge of what the competition is doing

Bill felt he knew his fun park pretty well. His 10 employees all made \$7 an hour and all shifted through the various activities, with the exception of the bartender. His hours were from 3:00 to 7:00 P.M. Monday through Thursday, and from 11:00 A.M. to 7:00 P.M. on Friday through Sunday. He wrote his weekly revenues in a table (see Table 1.1).

In addition to this, the restaurant brought in \$500 per week and the bar brought in about \$1,800. So the fun park’s total weekly revenue was \$7,650.

Thinking about his internal costs was a bit trickier:

- His total labor cost was \$2,800/week (he didn’t pay himself or Joan).
- His snack shop was making slim margins, with 75 percent cost (\$375), and the bar was doing well with a 60 percent margin (cost = \$1,080).
- Then there was upkeep of his facilities . . . Bill worked this out in Table 1.2.

When Bill summed everything up, he had costs at \$6,555. A little more quick math produced a smile as he confirmed that he was operating profitably at a 14 percent margin, making \$1,095 each week. Not bad he thought. But could he do better?

**TABLE 1.1 REDD’S FUN PARK WEEKLY REVENUES**

Attraction	Price	Volume/Week	Revenue/Week
Mini golf	\$3/round	150	\$ 450
Speedway	\$2/ride or 3 for \$5	50; 200	\$1,100
Hi-speed roadster	\$4/ride	400 (2 ride average)	\$3,200
Video games and pool	\$1 each	200 (3 games each)	\$ 600

**TABLE 1.2 REDD'S FUN PARK WEEKLY EXPENSES**

Attraction	Cost	Volume/ Week	Cost/ Week
Mini golf	0 (just dry land and rusty putters)	150	\$ 0
Speedway	\$.50/ride (gas, maintenance, insurance)	650 rides	\$ 325
Hi-speed roadster	\$2/ride (hi-quality gas, maintenance, higher insurance)	800 rides	\$1,600
Video games and pool	Flat rental and service fee of \$1,500/month	N/A	\$ 375

Continuing with the internal analysis, Bill started looking at the profitability of each activity (see Table 1.3). He realized that he needed to allocate his labor costs, and once he did this, he was shocked by what he saw.

Bill had previously had no idea that he was losing money on the speedway, and he had thought that his indoor activity center would be more profitable. Bill remembered now that he never saw lines forming by the speedway, but that the hi-speed roadster was frequently jam-packed with people waiting to

**TABLE 1.3 REDD'S FUN PARK WEEKLY PROFIT**

Attraction	Revenue/ Week	Total Cost/Week	Profit/ Week
Mini golf	\$ 450	\$280 (1 worker)	\$170
Speedway	\$1,100	\$1,165 (\$325 + 3 workers)	-\$ 65
Hi-speed roadster	\$3,200	\$2,440 (\$1,600 + 3 workers)	\$760
Video games and pool	\$ 600	\$515 (\$375 + 1/2 worker)	\$ 85
Restaurant and bar	\$2,300	\$2,155 (base + 2.5 workers)	\$145

ride. Bill began to realize that he either needed to reallocate his labor costs or give more consideration to which track was now the true focus of his business. He'd noted that his customer base seemed to change of late, but was this the cause for the imbalance in activity profitability? To answer this, Bill decided to continue along with Porter's analysis, and look at his customers.

## **UNDERSTANDING THE CUSTOMER**

After reading more, Bill stepped outside to think. Three years ago, Bill and Joan had noticed their customer base declining, looked at what some of the places downtown were building, and decided to copy them to keep their current customers from going all the way to San Antonio for family fun. It seemed logical at the time, but now as Bill walked toward the park, he realized that some of those actions might have conflicted dramatically with his original business strategy.

Porter had discussed the importance of understanding customers, and watching for changes in market trends and external forces. As Bill walked around the park, he finally understood what one of his business problems was: He had two conflicting customer bases.

The two original attractions had targeted families like Bill and Joan's, where parents could take their kids to participate in outdoor activities. The speedway added the excitement that kept the older children interested even when their parents became "embarrassing." But these families were not the ones, as it turns out, who were impressed with the new attractions. Looking at the lines for the hi-speed roadster, Bill saw men in their twenties and thirties out with their buddies for some thrill rides. Knowing well enough that these were the same patrons that made his bar a success, it hit Bill that these new customers were actually discouraging his old clientele from visiting Redd's Fun Park.

Bill walked back inside and made a new list based on some of Porter's discussion points and his own realizations. He knew that to think about his customers strategically, he needed to incorporate the following (see the Marketing chapter for more information):

1. Define your current customers.
2. Understand what these customers value.

3. When considering any change in your business, think about what value it adds to your customers' experiences.
4. If you're looking to add new customers, think about who they are and how they will affect existing customers.

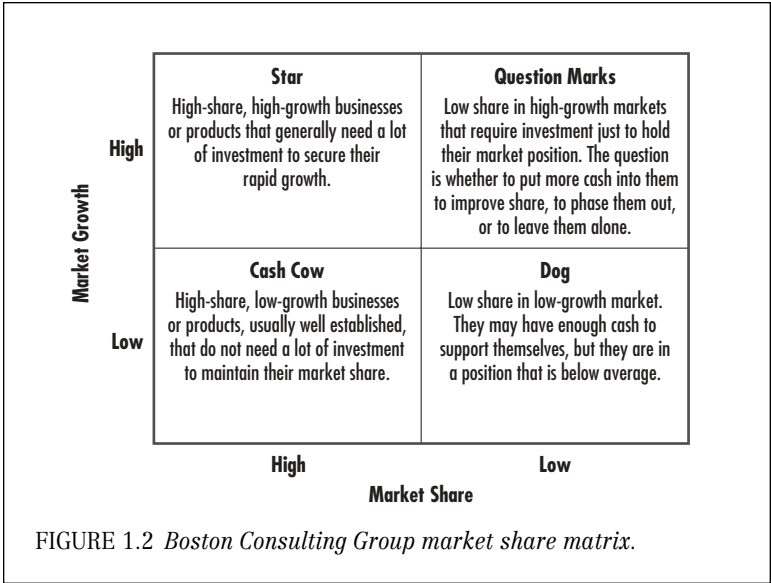
Bill smiled. At least he was learning from some of his mistakes, but how could he fix what he had done? And did he need to? How could he frame his current understanding of his business in terms of which parts might need some changes? Bill knew he needed to frame the numbers he'd just run and his knowledge of his business into a more standard and structured analytical format so that any action he took would be grounded in rational analysis, as opposed to "gut feelings."

### THE BCG MATRIX

Bill continued leafing through some of his wife's strategy books and came across a section describing a process for analyzing strategy developed by the Boston Consulting Group. BCG proposes that the best way to understand how a business is functioning is to break the business down into its smaller operating parts, commonly known as *standard business units*, or SBUs. SBU management became a very popular trend in the 1980s, and drove managers away from considering their companies as integrated entities. Rather, managers began to view companies as a portfolio of SBUs.

Bill read on to understand that the BCG Matrix is a framework to assist companies by using the same approach in classifying the performance of any given specific product in relation to the overall performance of the firm. Matrix identifies products or business units across two dimensions: market share and market growth. *Market share* refers to the percent of sales one product earns in relation to the total market sales for all products in that category. For example, Tide may have a 30 percent market share of the domestic laundry detergent market. *Market growth* refers to the potential for a product category to attract more consumer spending.

Figure 1.2 illustrates how these two forces work together to create four SBU categories. If a product or SBU is in a high-growth market with high market share, it is called a *star*. Products or businesses in this category usually require a good deal of capital investment from the company to capitalize on market growth opportunities. Products that have a



high market share in a low market growth business are called *cash cows*. Typically, companies can enjoy high revenues on these products without much additional investment or attention to maintain market share.

A product or business with a low market share in a low growth industry is referred to as a *dog*. Products or SBUs in this category usually generate enough revenue to be self-supporting, but they are probably poor performers in relation to the other products or SBUs in the firm. Lastly, products or SBUs that have a low market share in a high growth industry are called *question marks*, because they beg the most questions of management. Usually these products require investment to maintain their market share in an industry, so management must decide if the investment is worth it.

Bill defined his business units as: Mini Golf, Speedway, Hi-Speed Roadster, Video Games and Pool, and Restaurant. The cost and profit analyses he did earlier gave him some sense of how to place his units on the BCG Matrix, but Bill realized from what Michael Porter had said that he also needed a better understanding of his competitors before he should begin thinking about making any changes.

## COMPETITOR ANALYSIS

The components of a competitor analysis provide managers with a framework to complete a successful and informative assessment of their industry competitors. Central to the model, and to the analysis, are four questions that comprise what Porter deems a “Competitor’s Response Profile.” The questions, located in the center box of Figure 1.3, emphasize the need for managers to consider what moves a competitor might make on his or her own, as well as what moves a competitor might make in response to the manager’s own moves.

To begin such an analysis, a manager should start by considering what a competitor’s performance goals and objectives might be. For example, a product manager for Coca-Cola should wonder if Pepsi’s performance goals for the year are to

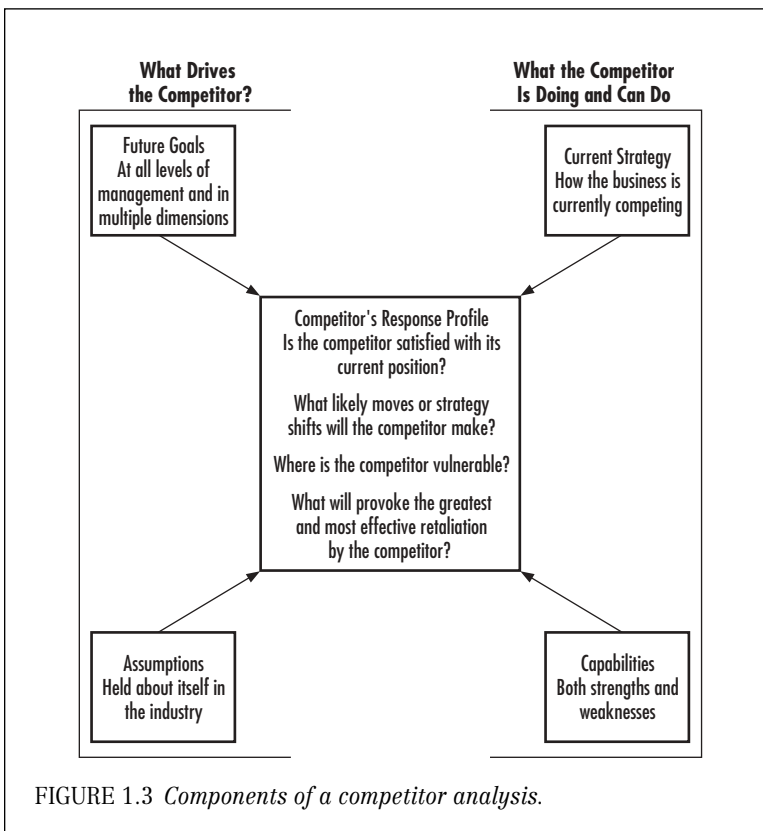


FIGURE 1.3 *Components of a competitor analysis.*

beat their prior year's earnings, or are they to outsell Coke at any cost? Clearly, these goals need not be identical.

Next, the manager should assess how close the competitor is to actually achieving these goals and what moves the competitor might make to get there. (If Pepsi's goal is to outsell Coke, is Pepsi willing to engage in head-to-head combat to do so, as in the case of the nationally televised "Pepsi Challenge"?) Further, a manager should contemplate the competitor's weaknesses—both those the competitor may be aware of as well as those the competitor may be oblivious to. (Perhaps the brand manager at Pepsi does not know that you, the Coke brand manager, negotiated as part of your multibillion-dollar advertising contract with the networks that Pepsi commercials which engage in head-to-head tactics can only be aired between the hours of 2:00 and 4:00 A.M.) Lastly, the manager must evaluate, given the information ascertained through making the previous considerations, how the competitor might react to a specific strategic move made by the manager's firm. (You must realize that the brand manager at Pepsi may be none too pleased when she discovers what you have done, and may resort to strategic tactics of her own.)

Armed with this central information gleaned from the Competitor Response Profile, a manager can work towards gaining a deeper understanding of the competitor's capabilities and motivations. To return to our study of Figure 1.3, focus your attention on the arrows emanating from the Competitor Response Profile in the center box. Porter, again, defines four forces broken up into two subcategories. On the left side of Figure 1.3 are the two forces stemming from considerations of "What Drives the Competitor?" Under this heading, Porter identifies the "Future Goals" of the competitor. These are a firm's goals as they have been communicated to all persons within the company. Porter also identifies "Assumptions" the firm may have about itself and its position within the industry. These two forces, taken together, provide a skeletal archetype of the firm's industry motivation, its process for internal motivation and its self-perception. These are all important factors in shaping the Competitor's Response Profile.

The right side of Figure 1.3 is dedicated to forces that stem from an assessment of the behavior of the competitor, as captured in the subheading "What the Competitor Is Doing and Can Do." Specifically, the forces identified are the competitor's

“Current Strategy,” or a status report of the basis on which the business is competing and how it is doing in the industry. In conjunction with current strategy is the consideration of the firm’s “Capabilities,” both in terms of its core competencies and in terms of its weak points.

Lastly, Porter emphasizes the interactive nature of the concerns driven by the right and left sides of the model on the center of the model. More specifically, any change in any of the four forces will affect the Competitor’s Response Profile directly. Moreover, a change in the competitor’s response profile could prompt changes in any or all of the other forces.

Returning to our case example, Bill knew that he had no competitors with the exact profile of Redd’s Fun Park, but rather that all of the high-tech video arcades and the larger speedways in San Antonio, as well as local bars and restaurants, were his competition. Since every one of these is different, how could Bill possibly compare his business with them? This is a question that managers often struggle with when defining strategy, but, as is true for Bill, every competitor needs to be considered as strategy is developed and refined.

### **Bill’s Response**

Bill now understood that there could be multiple answers to the complex issues he faced. Indeed, several possible solutions immediately came to Bill’s mind:

1. Cut back on open hours for attractions like the mini golf and extend hours on the hi-speed roadster and bar. Bill had a hunch this could push his revenues up while maintaining the status of his mini golf as the company “dog.” However, he also knew this would mean a significant shift toward one of his customer bases over the other.
2. Offer “family day” packages for the video games, restaurant, and mini golf, and then “party fast” nights for the hi-speed roadster and bar. Bill knew this might mean additional labor costs at night and two different strategies, one for the day customer and the other for the night customer.

Indeed, several solutions occurred to Bill, and he realized that he might want to spend some additional time researching his customers (see the Marketing chapter) and his investment alternatives (see the Finance chapter) before he’d make any

decisions. The frameworks showed that there could be a variety of “good” strategies, and he knew that he wanted to discuss any ideas with Joan before making significant changes. What he wanted to know now was once he and Joan figured out what they wanted to do, what did they need to do as managers to ensure success?

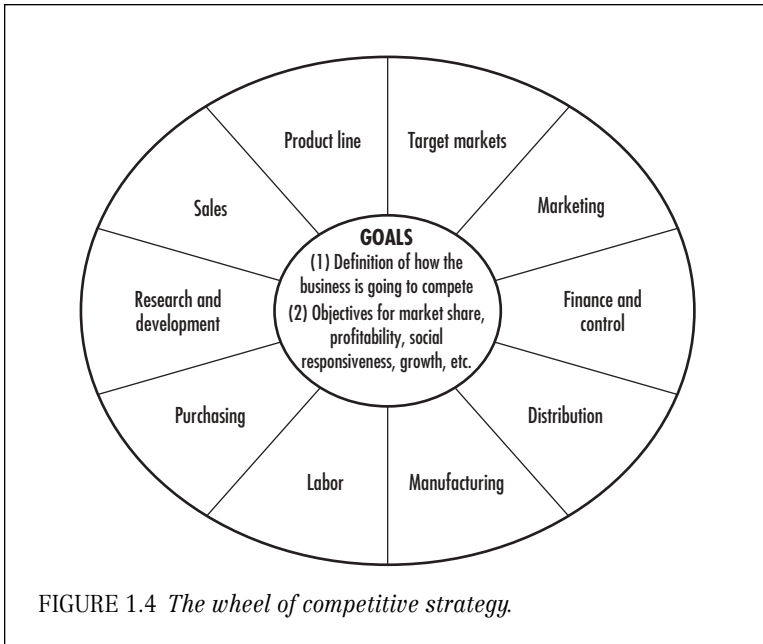
## **IMPLEMENTING A STRATEGY**

Bill continued looking through books and came across a very interesting section about the “McKinsey Seven S Framework”—the product of a marriage between theory and practice.<sup>1</sup> It said that McKinsey’s primary objective in developing the 7S framework was to put a new spin on management style and suggest that “soft issues” could and should be managed. Further, the use of the “Wheel,” a format borrowed from Porter, also emphasizes the idea that a firm is the comprehensive, inextricable sum of its parts.

After conducting the equivalent of a Ph.D.-level research project on how America’s best-run companies were managed, the best minds at McKinsey arrived at two key findings. First, the consultants learned that both the strategy and the structure of the organization determined a manager’s effectiveness. Their second discovery was that no linear relationship governs these three components, although they are interdependent.

In reality, the management, structure, and strategy of an organization are interrelated through a complex network of seven characteristic factors in the organization. Managers who try to run their firm as if it were a collection of several independent units soon learn about the spoke-and-hub concept of the wheel. A wheel is nothing more than a collection of spokes when there is no hub, and vice versa. Neither part alone can replicate the functions of a wheel. Similarly, an organization without common goals and strategy cannot function in the way it was intended. Sure, each unit can perform independent functions, but without a unifying force to bring the units together, they are merely spokes. Hence, McKinsey developed its Wheel to illustrate this very point. Figure 1.4 provides you with all of the categories in a typical organization that must operate under a common goal.

The McKinsey study produced another interesting finding.



The McKinsey people discovered that most successful organizations, regardless of their line of business, had several practices in common. The McKinsey model incorporates these practices into eight characteristics:

1. *Maintain a bias for action.* Successful companies are not afraid to make changes, even if it means making a mistake along the way.
2. *Learn from the customers by staying close to them.* Successful firms maintain close relationships with their customer base. In this way, the firm can anticipate and plan for changes in customers' needs before the customer is aware of the change.
3. *Encourage autonomy and entrepreneurship in staff and management.* Management encourages others to find new and creative solutions to problems by allowing managers/employees to challenge old rules and methods and by providing the latitude to try new approaches.
4. *Respect contributions of all employees, especially those traditionally undervalued.* If a manager wants his or her staff to buy into the goals of the firm, those who report to

him or her must feel that the firm respects and values their individual contributions.

5. *Use a hands-on, highly visible management approach.* When management is present and involved in every part of the businesses, employees have more respect and include managers more in the everyday workings of the firm.
6. *Stick to the knitting—know your core competency and stay with it.* Do not abandon your core competencies and core products in search of products or services that are glamorous today. Stick to whatever it is that you are good at.
7. *Keep the organizational structure simple and staff only as much management as is required for bare-minimum operations.* Creating many levels of middle and upper management only serves to create division within the ranks of a company.
8. *Allow core values to govern.* Manage with loose and tight properties when appropriate. Trust that your staff knows and shares the core values of the company. Allow enough managerial latitude so that employees can try new ideas and methods. Provide enough managerial guidance so that everyone remains committed to the same goals.

The McKinsey Wheel is an especially valuable tool for two reasons. Not only does the Wheel (1) reemphasize that all parts of an organization must work together to achieve common goals, it also (2) provides specific areas and business activities to examine when diagnosing the health of a firm.

Bill knew that he and Joan had some work ahead of them with their employees to get everyone's buy-in to whatever strategic path they decided to undertake. As it stood now, Bill had some employees who loved hanging out with the partying young men, and others who would prefer to see Redd's "return to its roots" as the local family-oriented fun center. He had a good sense now of how to frame his and Joan's discussion about Redd's future and what they'd need to do once they decided, but he wanted one more thing: what was best to include in his newly-developed strategy.

**STRATEGIC INTENT**

Bill wasn't sure yet what path he and Joan would select for Redd's, but he knew that after he spent additional time analyzing the profits/costs of his business units, researching

his competitors, and learning more about his customers, he'd need to be certain that his strategy was the one that best positioned Redd's for success. Michael Porter's works had given him a good starting point, but Bill wanted more. Looking for this final nugget of information, Bill came across a more recent article by Gary Hamel and C.K. Prahalad, entitled "Strategic Intent," in the *Harvard Business Review*.<sup>2</sup>

In this article, Prahalad and Hamel argue that companies need more than a formal model to define strategy. Companies need, as one of their self-defining goals, a desired leadership position within an industry. The authors insist that a company must develop "a competitive obsession with winning at all levels of the organization and then sustain that obsession over a 10- to 20-year quest for global leadership." They must develop a strategic intent.

A famous example of a strategic intent was President John F. Kennedy's initiative for the United States to be the first country to send a man to the moon. Although many people believed this to be an impossible feat, Kennedy maintained that it was imperative that we, as a nation, succeed to preserve our national identity. Americans, from the scientists at NASA to the American public in general, internalized this statement. Taxpayers did not complain about the allocation of money to NASA, while scientists worked around the clock to achieve "the impossible." When the goal was reached, it inspired unity and pride throughout the country.

Strategic intent is a long-term goal, and one that the business will stick to, even as the tides of business change. Equally as important, this strategy concept also includes an accompanying management process. Prahalad and Hamel suggest the following practices:

- Focus the organization's attention on the essence of winning.
- Motivate people by communicating the value of the target.
- Leave room for individual and team contributions.
- Sustain enthusiasm by providing new operational definitions as circumstances change.
- Use this intent to consistently guide resource allocations.

While strategic intent requires commitment in terms of a long-term focus, it also enables a company to be flexible because it only requires the firm to commit to plans for

short-term action, leaving many opportunities to reevaluate and take advantage of new opportunities as they emerge.

Strategic intent must be communicated in such a way that all members of a company buy into the idea and are committed to it personally. It must be inescapable. When Honda issued the strategic intent to beat GM's sales in the American markets in the late 1960s, it seemed like an impossible goal. Yet within 20 years, it was a reality, and it became a reality because every member of the Honda company force was committed to making it happen.

This kind of internalization, coupled with operational flexibility, allows for entrepreneurial management styles within the company. Styles that can help a company overcome resource constraints by inspiring innovation and creativity towards achieving the same goal. Means are flexible, since the end has been determined and bought into by all. This style of management also requires flexibility to take advantage of short-term competitive advantages. The firm does not have to be married to one competitive advantage, but should be flexible enough to be benefited by all.

The firm cannot be wed to typical evaluation schemes, either. Instead of considering projects in terms of whether they yield benefits of either quality *or* cost, firms should be thinking in terms of quality *and* cost advantages. Firms should also engage in a collaborative style of management, where the company encourages its staff to find creative solutions and to challenge all rules and realities that prohibit the company from achieving its goals.

The last critical part of a successful strategic intent initiative is that it must be perceived as a personal challenge made to every member of the company. This, in turn, will inspire a response of drive and determination to achieve the goal across all organizational levels. For a strategic intent to work, managers must:

1. Create a sense of urgency. Perpetuating a bias for action avoids crisis from inaction.
2. Develop a competitor focus at every level through widespread use of competitive intelligence.
3. Encourage employees to set personal benchmarks based on beating the best-in-class procedures of the firm's competitors.

4. Provide employees with the skills they need to work effectively. Do not ever skimp on providing employees with as much training as they need or seek out.
5. Avoid competing initiatives by launching one challenge at a time. Allowing enough time for a challenge to be absorbed and personalized by the staff before launching another will alleviate a sense of confusion and foster a more competitive environment.
6. Establish clear milestones and review mechanisms. Managers need to set specific goals and to review processes in a timely fashion. Managers must also establish a clear and consistent rewards system.
7. Reciprocate responsibility. If the organization is to remain responsible and competitive, managers must share credit for every victory as well as share responsibility for every setback.
8. Innovate rather than imitate. Focus on developing and playing your own game well instead of trying to imitate someone else's game. Better to be a first-rate original than a second-rate imitation.
9. Manage creatively. Rewrite the rules and use every tactic that will advance you towards your goal. Dump rules of strategy that confine instead of advance the company toward the goal.

Bill realized that in a number of ways the concepts described in the strategic intent article resemble those described in Porter and in the McKinsey Wheel frameworks. In sum, the article was pushing for a style of management that focuses on harnessing the creative energy and entrepreneurial spirit of every employee within the firm towards attaining a difficult but highly rewarding goal.

## **SUMMARY**

By now, you're beginning to see what Bill was learning: there are multiple strategic frameworks for understanding where and how to take your business into the future. Which will prove to be most useful or will guarantee the most success is really dependent on your ability as a manager to match the issues of your firm with a particular tool and your desired outcomes.

However, even after you've developed a comprehensive strategic plan, grounded in knowledge about your customer, research about your competitor, and your firm's current performance, it is perhaps most important to remember that successful strategy requires careful and consistent implementation. It is not enough for you as a manager to develop the strategy; you must follow through with actions that imbue that strategy throughout the culture of your firm. A good strategy may be a perfectly realistic roadmap, but it will be your actions that determine whether you ever reach those goals.

## INTERNET RESOURCES

**E-Business Forum** ([www.ebusinessforum.com](http://www.ebusinessforum.com)). This web site from the Economist Intelligence Unit (EIU) is designed to help senior executives build successful strategies for the global digital economy. Features daily e-business news, best practices, and a search of the latest research reports.

**Ideas@Work on the Air** ([www.hbsp.harvard.edu/products/radio/index.html](http://www.hbsp.harvard.edu/products/radio/index.html)). This site contains an archive of radio programs offering insights from the leading management thinkers and practitioners every business day. Based on articles in *Harvard Business Review*, the *Harvard Management Update*, and *Harvard Management Communication Letter* newsletters.

**McKinsey Quarterly** ([www.mckinseyquarterly.com](http://www.mckinseyquarterly.com)). McKinsey's on-line journal offers great research summaries on current management and industry issues, from strategizing in uncertain environments to winning Asian strategies. Offers a monthly e-mail newsletter for easy access to all new articles.

**Quick MBA** ([www.quickmba.com](http://www.quickmba.com)). Keeps all elementary business information right at your fingertips. Offers great section on strategic management, outlining everything from the fundamentals of game theory to Porter's Diamond of National Advantage.

**Social Science of Research Network** ([www.ssrn.com](http://www.ssrn.com)). Offers an array of strategy and finance-focused articles.

## STRATEGIC MANAGEMENT CRITICAL REFERENCE MATERIALS

Baye, Michael. *Managerial Economics and Business Strategy*, 3rd edition. New York: McGraw-Hill College Division, 1999.

This managerial economics textbook is one of the most successful in the market. This is due in no small part to the fact that it combines tools from intermediate microeconomics, game theory, and industrial organization. Its balanced coverage of traditional and modern topics makes this third edition a flexible and up-to-date text that will be useful to a wide audience.

Collins, James, and Jerry Porras. *Built to Last*. New York: Harperbusiness, 1997.

In *Built to Last*, Collins and Porras identify 18 “visionary” companies and then set out to determine what makes each one “special,” what sets that company above the hundreds of thousands of others in the global economy. To earn the designation “visionary,” each company had to be world famous, have a strong brand image, and be at least 50 years old.

McGrath, Michael. *Product Strategy for High Technology Companies*, 2nd edition. New York: McGraw-Hill Professional Publishing, 2000.

Product strategy is one of the key components of success for high-technology companies, and this guide is one of the few written specifically for the twenty-first-century high-tech industry. This book provides an in-depth examination of the entire area of product strategy, from changing strategies to Web technologies, providing market-tested strategies and techniques. McGrath uses more than 250 examples from technological leaders including IBM, Compaq, and Apple to illustrate his book—and in this second edition he includes new sections on growth strategies and on Internet-based businesses. This book helps define how high-tech companies can use product strategy to be more competitive, increase profitability, and continue to grow.

Peters, Thomas J., and Robert H. Waterman, Jr. *In Search of Excellence: Lessons from America's Best-Run Companies*. New York: Warner Books, 1982.

The number-one bestseller in 1983, *In Search of Excellence* describes eight basic strategic principles that the best-run companies utilize to foster continued success. The principles are: (1) a bias for action; (2) staying close to the customer; (3) autonomy and entrepreneurship; (4) productivity through people; (5) insisting executives stay in touch with the firm's essential business; (6) remaining with the business that the firm knows best; (7) few administrative