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Table of Contents

RETAIL MISSION STATEMENTS AND GLOBAL RETAILERS

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ABSTRACT

Mission statements are useful to communicate with customers, shareholders, employees, and general public regarding company vision, values and objectives. They also give insights on the processes companies use to achieve results. Top 100 global retailers' web sites were examined for their mission statements in this study. 7Ps of services marketing framework; namely product, place, promotion, price, people (participants), process, and physical evidence; was used to organize the information obtained from retailers. The content analysis results indicated important differences between US. Retailers and rest of the global retailers especially in the people, processes, price/value, and place categories.

A VALIDITY STUDY OF PORTER'S INDUSTRY ANALYSIS

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ABSTRACT

The dimensionality of Porter's Industry Analysis was examined by using a sample of 373 businesses. A principal component analysis using promax rotation with a Kaiser normalization was used to assess which factors were most significant in each of Porter's 5-Forces. Each specific force loaded with its own significant factor showing a main question that was significant to each factor. We found support for a six dimensional solution rather than a 5 dimensional solution with each of the traditional five dimensions having its own primary dimension but several dimensions had overlapping items.

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A STUDY OF FIEDLER'S CONTINGENCY THEORY AMONG MILITARY LEADERS

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ABSTRACT

Purpose – This study examines the difference between interpersonal and task oriented leadership in the military. The paper seeks to explain how personality and goal orientation affect these two styles of leadership and improve job performance.

Design/methodology/approach – The study collected data from 869 soldiers, comprised of enlisted personnel and officers. All participants were in the age range of 18 to 55 years old. The research was gathered from the United States Military during peacetime efforts. The instruments used for data analysis were Fred Fiedler's Contingency Model of Leadership, the Least Preferred Coworker Scale (LPC), Goal Orientation and the Five Factor Model (FFM).

Findings – Findings concluded that goal orientation and the personality trait of conscientiousness significantly influenced the job performance of military leaders. Both of the influencing factors are characteristics found in task-oriented leaders. The low LPC scores, recorded in the data, substantially add to this conclusion.

Research limitations/implications – Research was administered only during a peacetime environment, limiting the scope of certain aspects affecting military job performance.

Originality/value – The recent study is original due to its attempt to show that Fiedler's LPC is directly related to certain dimensions of the FFM. The study also reveals that the FFM trait of Conscientiousness, connected with a strong emphasis on Goal-Orientation, is the strongest determinant of a successful leader in military operations. Psychologists may also contribute from the value added by this study in the analysis of FFM, Goal-Orientation and Fred Fiedler's Contingency Theory.

INTRODUCTION

Since the 1960s, researchers have conducted studies to determine whether there is any relationship between personality and leadership. They based their studies on the Five Factor Model consisting of conscientiousness, agreeableness, neuroticism, openness, and extraversion (Bligh, 2009). DeRue, Barnes, & Morgeson discussed recent meta-analysis that proves there is a multiple correlation of .39 between the FFM traits and leadership (as cited in Judge, Bono, Ilies, & Werner, 2002). More specifically, this study's data analysis will uncover how the FFM specifically correlates with task-oriented leadership.

Fiedler's Contingency Theory (Fiedler, 1971b, 1978) implies that the effectiveness of leadership is a function of the interactions between the leader and the leadership situation (Peters, Hartke, & Pohlmann, 1985). The purpose of the contingency theory in this study is to analyze the data relating to the Least Preferred Co-Worker (LPC) scale and determine how it relates to the job performance of task-oriented leaders versus relationship-oriented leaders. By studying the correlation between the two different orientations of leadership and our data collection, we hope to narrow down why LPC favors one leadership style over the other.

This study will look at the intrinsic value of goal orientation and how it affects the job performance of leaders. Scriffignano wrote that the results of previous research suggested goal orientation can influence an individual’s approach and success in achieving goals (as cited in Carson, Mosley, & Boyar, 2004). A better understanding of the role that goal orientation plays on leadership could prove the advantages of task-oriented leaders.

LITERATURE REVIEW

The United States Military has been always been on the forefront of developing quality leaders, and has been the testing ground for many different leadership theories. Military leadership is defined as influencing people by providing purpose, direction, and motivation, while operating to accomplish the mission and improve the organization (Headquarters Department of the Army, 2007). Military leaders operate in fast paced work environment that is fraught with complexity. The military is constantly changing, whether it be their tactics, operational strategy, training exercises, weapons, technology, policies or leadership theories. These changes increase the level complexity in a commander’s task at all levels and multiply the challenges faced by military leaders (Shamir, B., & Ben-Ari, E. , 2000).

The way in which performance within the military can be observed is often very challenging due to multi-faceted responsibilities that are placed upon military leaders. Different wars and international operations have proved that the context in which leadership takes place can drastically change the expectations of leadership-behavior and its perception by subordinates and the leaders themselves (Rozčenkova, A., & Dimdiņš, Ģ. , 2010). Military leadership is dynamic in its nature and it may be necessary to clearly define leadership in its different contexts in order to be able to truly evaluate a leaders effectiveness (Wong, L., Bliese, P., & McGurk, D. , 2003).

Rozčenkova and Dimdiņš, (2010) used 203 members of international militaries in conflict environments in order to define the relationship between self-reported transformational leadership and social identification in the military. Striving to prove a difference in self-reported leadership behavior among officers, non-commissioned officers, and privates, they conduct a multivariate analysis of variance with the levels of hierarchy and the member’s nationality as independent variables. They also used the subscales of self-reported leadership behavior as dependent variables. Through Rozčenkova and Dimdiņš’ research, it was partially confirmed that higher-ranking officers would report more transformational leadership behavior than lower ranking officers and soldiers would. These findings are in concurrence with previous research conducted by Kane and Tremble (2000) who also found differences in transformational leadership between different organizational levels.

Utecht and Heier (1976) studied a group of 479 officers out of a total population of 744. They hypothesized that according to Fred Fiedler's contingency model, that military leaders primarily have attained their success by holding positions that cater towards their leadership style. Leader-member relations, task structure, and leader position power were used as situational variables to determine whether a group is favorable or unfavorable to a leader. The null hypothesis of this study was accepted and it was concluded that the success of military leaders is not primarily because they are placed in positions that cater towards their leadership style. Fiedler's contingency model failed to accurately predict successful leaders, which poses the question; what factors can be used to predict successful military leadership?

Kell et al. (2010) investigated 13 volunteer subject matter experts (SMEs) and 11 human factors professionals (HFP) SMEs, to find associations between Big Five expressions and behavioral effectiveness judgments in the context of job performance. Motowidlo (2003) defines job performance, as "the value to the organization of a worker's behaviors that are performed while on the job". Through their research, Kell et al. found that for both HFP and volunteer jobs, Openness and Agreeableness had more of an effect in interpersonal situations while Expressions of Conscientiousness and Emotional Stability had more effectiveness in task oriented situations. These findings strongly implicate that certain job characteristics effect the correlation between behavioral trait expressions and ratings in job performance.

Brown and O'Donnell (2011) studied 438 undergraduate seniors enrolled in a Strategic Management capstone course to find if learning goal orientation combined with the Big Five in any way has a direct correlation to job performance. They measured conscientiousness, neuroticism, learning goal orientation, proactive personality, and effort. A total of six hypothesis's were analyzed and hypothesis 1 and 2 solidified research done in the past by proving that Conscientiousness positively related to learning goal orientation while neuroticism had a negative relationship.

DESIGN/METHODOLOGY/APPROACH

The present study surveyed 869 soldiers from the United States Military (461 men; 383 women; 25 missing in the system). Their ages range from 18 – 55 with the mean age being 21. The surveyed individuals included enlisted military personnel as well as officers. Results of this research where gathered in a peacetime environment.

The primary instruments used were Fred Fiedler's Contingency Model of Leadership, more specifically the Least Preferred Coworker Scale (LPC) as well as Goal Orientation, and the Five Factor Model (FFM), which consists of extraversion, openness, conscientiousness, agreeableness, and emotional stability. The data analyzes each of these different areas in order to show what effect goal orientation and the FFM have on job performance within the military.

FINDINGS

The average standard coefficient beta for Goal Orientation, LPC, and FFM is .071, with 4 of the 7 having a negative effect on the dependent variable, job performance. Conscientiousness has the greatest effect on job performance in the military with a .441 standard coefficient beta. It is a trait that is proven to be more effective in work-related task situations, which could be explained by the fact that task situations are more relevant to the expression of conscientiousness than the other traits (Kell, Rittmayer, Crook, & Motowidlo, 2010). Another reason that conscientiousness correlates more directly to positive job performance is that as an individual gets older, Conscientiousness continuously increases in rank-order stability, whereas the other traits, Extraversion (-.079), Openness (-.045), Agreeableness (-.110), and Emotional stability (-.006), reach a peak before digressing in rank-order stability (Specht, Schmukle, & Egloff, 2011). This means that over time individuals tend to become more conscientious, which in return increases the significance it has on one's job performance.

A study done by Kell, Rittmayer, Crook, & Motowidlo, 2010, showed that Conscientiousness and emotional stability prove to be effective in task oriented leadership styles. For the purpose of this study emotional stability will be not be acknowledged as it does not hold a proper amount of significance in the data. This lack of significance can be explained by the fact the military has strong restrictions on who they recruit. Individuals who are emotionally unstable are usually weeded out during the recruiting process.

The United States Military has sought after and nurtured proactive people who are goal oriented ever since the military began. A proactive person is someone who takes personal initiative to be influential no matter what the situation is. They display initiative, set goals, push through, improvise, and overcome all obstacles (Bateman & Crant, 1993). These types of leaders are known for exceptional job performance and that explains why goal orientation has a strong correlation with a standard coefficient beta of .398. Leaders who set goals where they see themselves as able to progress successfully, or as more of an asset, instead where they see themselves as stuck or unimportant will be much more effective (Hannah, & Avolio, 2010). It has been discovered that conscientiousness is positively related to one's desire to learn goal orientation, while emotional stability was found to be negatively related (Colquitt, LePine, & Noe, 2000)

The LPC holds a standard coefficient beta of 1.09, which seems to play less of an affect on job performance than Conscientiousness or Goal Orientation. However, both Conscientiousness and Goal Orientation relate heavily to task oriented leadership. Task oriented leaders receive low scores on the LPC. Those low scores translate into a smaller standard coefficient beta in this data set. A smaller standard coefficient beta for the LPC proves that traits that pertain to task oriented leadership improve job performance more so than interpersonal leadership traits, because if interpersonal leadership traits where more important to job performance they would score higher on the LPC, thus causing it to have a higher standard coefficient.

ORIGININALITY/VALUE/CONTRIBUTION

The recent study is original due to its attempt to show that Fiedler's LPC is directly related to certain dimensions of the FFM. The study also reveals that the FFM trait of Conscientiousness, connected with a strong emphasis on Goal-Orientation, is the strongest determinant of a successful leader in military operations. In his doctorate dissertation for the Indiana University of Pennsylvania, Dr. Keith Alan Francoeur conducted a study on the relationship between the FFM and preferred leadership styles in initiating structure. He concluded that Conscientiousness was positively correlated to initiating structure (2008), which is a component vital to military leadership.

As well as tying together multiple personality theories, the wide variety of test subjects adds further validity to the FFM and LPC. The test subjects consisted of peacetime armed service members serving across all military branches and across a wide variety of military occupational specialties, and LPC task structures. Despite the diversity of the test population, Conscientiousness and Goal-Orientation was consistently rated higher than all other personality and leadership traits. This only adds credibility to the FFM and also reveals that leaders rated most highly in the area of performance tend to display traits consistent with a low LPC score.

The data collected from the study also reveals a unique perspective as it relates to the FFM. Since the military does not recruit emotionally unstable individuals into the armed forces, the FFM trait of Emotional Stability can be disregarded since it is irrelevant to this test group. This allows the data to provide more accurate results on the differentiating traits of successful military leadership. Therefore, the absence of the Emotional Stability factor only provides a clearer understanding of which FFM traits are present in successful military leaders.

The study contributed to the field of psychology in regards to Goal-Orientation, FFM, and the LPC. By collecting data from a wide population of armed service members, we were able to see that high performing military leaders had certain traits in common. By analyzing the data we determined that these successful leaders were Goal-Oriented and held traits consistent with the Conscientiousness trait of the FFM. We also noticed that these traits from the FFM are consistent with a low LPC score. Therefore we concluded that the highest performing leaders in the United States military are task-oriented.

EFFECTS OF THE MARKET FOR CORPORATE CONTROL ON FIRM INTERNAL CONTROL AND BOARD LEADERSHIP

Stephen V. Horner, Arkansas State University

ABSTRACT

Empirical support for the disciplinary effect of the market for corporate control has been weak. Yet the theory presents a robust explanation of the operation of the external control of firm management. This paper proposes that the disciplinary effects of external management control manifest themselves in other ways besides dismissal of an acquired firm's officers. Specifically, this study proposes that those disciplinary effects can also be seen in the type of internal control used and in the leadership structure of the board.

INTRODUCTION

Recent press reports over the current Republican race for the Presidential nomination have heightened public interest in the role that private equity plays in the governance of publicly held companies, although as an industry, private equity has long preferred to maintain a low profile away from the public eye (Wursthorn, 2012). Such increased scrutiny casts the operation of the larger and more general market for corporate control under the glare of the public eye and enhances scholarly interest in corporate governance mechanisms in general and the operation of the market for corporate control, more specifically.

The market for corporate control is the existence of individuals and companies that take ownership positions in underperforming or undervalued firms in order to increase the value of their stakes and eventually sell the reorganized firm at a profit (Coff, 2003, Jensen, 1988; Schleifer & Vishny, 1991). Typically, the executives of the target firm are deemed largely responsible for the firm's poor pre-acquisition performance and face dismissal by the new controlling shareholders (Hitt, Ireland, and Hoskisson, 2011). Hence, the theory of the market for corporate control suggests that certain outsiders accumulate a large portion of a firm's shares, monitor firm performance, and when it appears that the firm is underperforming, acquire the firm, eliminate poorly performing management, and recruit new officers whom they expect to employ firm resources to a higher value.

The market for corporate control operates as a form of external management control as a function of the larger managerial labor market and is rooted in the concept of market efficiency (Walsh & Kosnik, 1987) Although the theory suggests that preacquisition managers of poorly performing firms are dismissed through the disciplinary effects of the market for corporate control, previous research has found little empirical evidence of a direct relationship between preacquisition inefficient management and positive wealth effects for shareholders (Martin & McConnell, 1991; Walsh & Ellwood, 1991). Further research has suggested that the discipline of the external control market may take other forms in addition to the dismissal of preacquisition officers (Walsh & Kosnik, 1993). This paper examines the theoretical foundation of corporate control and proposes other forms that that discipline might take.

THEORY DEVELOPMENT

The basis of the concept of corporate control is rooted in agency theory (Fama & Jensen, 1983), which suggests that agents (managers) should be monitored by principals (shareholders), who are represented by the board of directors. This arrangement is the system of internal management control (Johnson, Hoskisson, & Hitt, 1993). However, in the event that directors fail to ensure that managers utilize firm resources to their highest value, an external control system, the market for corporate control becomes a mechanism of last resort (Fama, 1980; Johnson, Hoskisson, & Hitt, 1993; Walsh & Kosnik, 1993), whereby outsiders take control of the internal governance process through stock acquisition and exert their influence on management from their new vantage point inside the firm. Hence, the system of internal management control can be viewed in the larger context as a subsystem of the market for corporate for control.

A major outcome of the activation of external control is thought to be the dismissal of pre-acquisition management on grounds of inefficient use of firm resources. However, empirical studies have failed to demonstrate a significant relationship between acquisition, improved performance, and management turnover (Walsh & Kosnik, 1993). Thus, agency theory has not yet provided an empirical mechanism for the disciplinary role in the market for corporate control.

However, in previous research, the observed effects, while not statistically significant, were nevertheless more pronounced among firms with poor pre-acquisition performance (Walsh & Kosnik, 1993). Hence, it appears that there is an effect but that it may not significantly manifest itself in the dismissal of company officers. Thus, it may be that the effects of external control on management turnover are weak because the discipline applied to underperforming firms has other unobserved outcomes.

Such unobserved outcomes may the take form of changes in the process of internal control or changes in the structure of control. Control in agency relationships generally takes one of two forms, behavioral control or output control (Daft, 1998). Behavioral control consists of observing the processes of performance and evaluating the content of activity rather than the result, whereas output control focuses on evaluating the result of performance rather than the process. At the strategic level, these forms appear as either strategic control or financial control (Baysinger & Hoskisson, 1990). Strategic control, using a combination of subjective and objective information inputs, focuses on evaluation of the process of formulation and implementation of corporate strategies as well as attainment of financial goals. Financial control, on the other hand, focuses on evaluation of financial performance regardless of the strategic desirability of corporate strategies. It has been suggested that boards dominated by outsiders are more likely to use financial controls because they lack firm-specific knowledge as to how strategy ought to be formulated and implemented, whereas boards dominated by insiders are more likely to have the firm-specific knowledge necessary to evaluate the processes of strategy formulation and implementation (Baysinger & Hoskisson, 1990).

The term corporate raider carries with it perhaps a negative almost nefarious connotation. However, the term accurately describes the activities of those most active in the market for corporate control. Corporate raiders presumably bring to their newly acquired firms a unique set of skills that combines an acute sense of market forces with an aggressive stance toward corporate control. Hence, a corporate raider may be singularly informed about the external environment. In addition, by virtue of his or her having been a large block shareholder and active participant in the governance activities of the firm, the raider may also be singularly informed about firm-specific strategic processes. Thus, a corporate raider may be in a more advantageous position than an outside director to monitor and control management performance. Accordingly, the raider may be more inclined to rely on behavioral, or strategic, controls than on output, or financial, controls. Furthermore, the use of financial controls is thought to be suitable only in a stable environment (Chandler, 1991). Hence, given the dynamics of the present business environment, especially in cases of corporate acquisition, the use of strategic controls would be more advantageous than financial controls, and it would seem likely that acquired firms would benefit more from the use of strategic controls than from the use of financial controls. Therefore, in firms acquired by corporate raiders whose post-acquisition performance has improved, strategic controls will be more likely used than financial controls.

Proposition 1: Firms challenged by a corporate raider whose post-acquisition performance has improved over the pre-acquisition period will exhibit a higher incidence of the use of strategic controls than during the pre-acquisition period.

Board leadership may be considered an aspect of internal management control because it concerns the separation of the formulation and implementation functions (CEO role) from the ratification and monitoring functions (board chair role) (Fama & Jensen, 1983). Dual leadership occurs when two individuals occupy the positions of board chairperson and CEO, respectively. CEO duality, or unitary leadership, occurs when one person occupies both positions (Finkelstein & D'Aveni, 1994). Academic researchers advocate dual leadership as being in conformity with agency theory, where the chair oversees the monitoring and control functions of the board. But CEO duality is the more common practice. Furthermore, although theory supports the concept of dual leadership, empirical evidence as to its effects has been mixed (Zahra & Pearce, 1989). Hence, it is possible that dual leadership may lead to higher performance only under certain circumstances, and in other circumstances unitary leadership may result in higher performance.

Corporate raiders tend to be very aggressive in pursuing firm goals. Following an acquisition, their power with respect to the board and officers may be at its zenith. There would seem little need to maintain dual leadership in such a case because the raider presumably is performing much of the monitoring and control function normally ascribed to the board chair. Unitary leadership, while not consistent with agency theory (Fama & Jensen, 1983), is consistent with the concept of unity of command (Finkelstein & D'Aveni, 1994). Thus, it is likely that following an acquisition a corporate raider would prefer unitary leadership to dual leadership.

Therefore, in firms acquired by corporate raiders whose post-acquisition performance has improved, unitary leadership will be more likely used than dual leadership.

Proposition 2: Firms challenged by a corporate raider whose post-acquisition performance has improved over the pre-acquisition period will exhibit a higher incidence of unitary leadership than during the pre-acquisition period.

CONCLUSION

Empirical support for the theoretical link between improved shareholder wealth and management in corporate takeovers has been weak. Thus, agency theory has not offered sufficient explanation for what corporate raiders claim they do, that is, to eliminate underperforming management and to recruit new managers who will employ firm resources at higher value. Yet agency theory provides perhaps the most robust explanation of corporate governance offered by any theoretical framework in the strategic management literature. Given the strengths of agency theory, it may be that the effects of corporate raiders on acquired firms have simply not been operationalized adequately to capture the effect. This paper proposes, as suggested by Walsh and Kosnik (1993), that there are indeed other effects that have not been previously measured. These are the use of strategic control, based on the corporate raider's knowledge of internal firm processes, and establishment of unitary leadership, based on the raider's position as a primary monitor of firm performance. These are not proposed as the only other forms that the effects of corporate takeovers may manifest, but rather as a step in more thoroughly understanding the mechanisms present in the market for corporate control. Future research examining changes in target firms following acquisition through corporate takeover might provide finer –grained investigation of top management team (TMT) and director turnover as well as subsequent restructurings of the target firms.

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HUMAN CAPITAL DEVELOPMENT DYNAMICS: THE KNOWLEDGE BASED APPROACH

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ABSTRACT

Discussions on how to reduce cost and improve on gains in organizations have increased. As a result, effective utilization of resources in the organization has been daunted as the key to creating a competitive advantage (Wernerfelt, 1984). Human capital is among key organizational resources that are hard to imitate therefore, maintaining and developing it is crucial for organizations to stay in the forefront. Organizations have used different approaches to develop human capital. As organizations become more dynamic, so does the approach to human capital development. Technological changes, especially in the virtual world have greatly influenced different human capital development approaches. Therefore, this paper proposes to look at current human capital development approaches and their integration into the knowledge based approach. The paper will further explore the importance of human capital development approaches in achieving a strategic competitive advantage. The first section of the paper will explore the current literature on human capital development approaches in firms and their strategic necessity in the knowledge sphere of the organization. In the second section, the paper will connect human capital development approaches to the five knowledge utilization characteristics described by Grant (1996) : 1)transferability- How do human capital development approaches affect the transfer of both tacit and explicit knowledge?; 2) capacity for aggregation- how do the right human capital development approach affect the best aggregation methods; 3) Appropriability- does the human capital development approach create a possibility for return on human capital development investment; 4) specialization in knowledge acquisition- How do human capital development approach affect transfer of required knowledge; and 5) the knowledge requirements of production- does human capital development approach matter in the input and output of knowledge in human production? In the third section, the paper will seek to explore the strategic importance of human capital development approaches in expounding the nature of knowledge in a firm and how this ties to a firm existence. In conclusion, this paper will seek to look at ways in which human capital development approaches play a role in the future contribution of the knowledge based view.

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COMPETITIVE IMPROVEMENT PLANNING: USING ANSOFF'S MATRIX WITH ABELL'S MODEL TO INFORM THE STRATEGIC MANAGEMENT PROCESS

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ABSTRACT

Modern strategic management textbooks offer the strategic management process to craft strategy at both the business unit and corporate level of analysis. In this paper, I make a case that corporate level analysis and strategic business unit level of analysis represents two different analytical paths, with each seeking a distinctly different destination. This approach to competitive improvement uses the Ansoff Matrix, Abell's model, and the business level strategic management process to produce competitive advantage.

INTRODUCTION

Case analysis has been widely utilized to enhance the student's educational experience by providing opportunities to apply the theoretical content of business courses to real world situations and thereby moves the student from passive learner to active learner as students practice solving business problems. The textbooks of the eighties and nineties provided the business student with specific case analysis methodologies (e.g., Hill & Jones, 1998). Recent textbooks have adopted the strategic management process as the model for crafting corporate strategy but these textbooks no longer contain explicit step by step case analysis methodologies (e.g., Barney & Hesterly, 2012; Barney, 2011; Hitt, Ireland, & Hoskisson, 2011; etc.) as to how students are supposed to perform case analysis while utilizing the SMP; this article partially fills that void.

Figure 1
The Strategic Management Process

External
↑
Mission → **Objectives** → | → **Strategic** → **Choice** **Strategic Implementation** → **Competitive Advantage**
↓
Internal

Source: adapted from J.B. Barney. (2011). *Gaining and Sustaining Competitive Advantage,(fourth edition).* Upper Saddle River, NJ: Prentice-Hall. p. 5.

At the strategic business unit level of analysis, the focus on *competitive advantage* (Porter, 1985) and sustaining it (e.g., Barney, 1986; Barney, 1991) dominates modern strategic textbooks (e.g., Barney & Hesterly, 2012; Barney, 2011; Hitt et al., 2011; etc.). As shown in Figure 1, the SMP begins with mission definition and concludes with *competitive advantage* (Barney, 2011).

Hitt et al. (2011) present a corporate level view of the strategic management process (see figure 2) and use that view as the outline for their textbook. In their view of the strategic management process the final outcome is above average returns (investor). Hitt, et al. (2011) utilize returns to characterize the competitive status of the firm: Above average returns = competitive advantage; average returns = competitive parity; below average returns = competitive disadvantage. *Return on equity* then is the relevant measure of corporate strategic effectiveness (Hitt et al., 2011), however, at the strategic business unit level of analysis, *competitive advantage* is the relevant measure (Barney, 2011).

Figure 2
The Strategic Management Process

The External Environment
The Internal Organization
→ **Mission** → **Vision** → **Strategic Formulation** → **Strategic Implementation** → **Above-Average Returns**

Source: adapted from Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2011) Strategic Management: Competitiveness & Globalization, (ninth edition) Mason, OH: South-Western Cengage Learning. p. 5.

The Ansoff Growth Matrix (Ansoff, 1965), combined with Abell's Model (1980), provides students with a way to differentiate between SBU level analysis and corporate level analysis when using the SMP. Abell's (1980) Model (Figure 3) uses three variables to define a

Figure 3
Ansoff Growth Matrix

	Existing Customers	New Customers
Existing Products	Market Penetration	Market Development
New Products	Product Development	Diversification

Source: Ansoff, I.: (1957). Strategies for Diversification, *Harvard Business Review*, 35: 5. pp. 113-124

business: who's the customer, what need is satisfied, and how is it satisfied. By applying Abell's (1980) model to the Ansoff Matrix the *customer* (new versus existing) remains the variable on one axis but the other axis variable becomes "what and how the customer need is satisfied," (in other words, new versus existing core competencies) instead of *products*. The four cells of the matrix are redefined as follows.

Market penetration is the growth strategy that utilizes core competencies of the existing value chain (Porter, 1985), e.g., existing competitive advantage, to increase market share by selling more to existing customers, without sacrificing return on sales. The strategic management process as depicted in Figure 1 describes this purely SBU based strategy. If the firm doesn't hold sustained competitive advantage, then *market penetration* requires the creation and implementation of a competitive improvement plan at the strategic business unit level.

Market development, is a hybrid growth strategy in that it contains elements of both SBU and corporate level decision making. To the extent that existing core competencies can be utilized, market development is SBU level strategy (Figure 1) and to the extent that new competencies must be created or acquired, market development is corporate level strategy (Figure 2). With market development, we are meeting the same need of new customers in the same way we have met our old customer needs. In all cases, strategic implementation (Figure 2, the investing and financing decisions of an internal capital market) takes place at the corporate level of analysis. .

Product development, like market development, is a hybrid growth strategy in that it contains elements of both the SBU and corporate level strategic management models. However, because product development meets different customer needs in a different way it is less likely to utilize existing competitive advantage than market development. Therefore, this could be business level strategy or corporate level depending upon whether a new value chain (e.g., a new set of competencies) must be created or acquired. And, as was the case with market development, strategic implementation (Figure 2, the investing and financing decisions of an internal capital market) takes place at the corporate level of analysis. .

Diversification is the riskiest growth strategy and it is farthest removed from *market penetration*. The decision to implement diversification takes place at the corporate level of analysis as depicted in Figure 2 and involves either the acquisition (e.g., M & A) of a new value chain or the creation of a new value chain to serve new customers. Investing and Financing decisions associated with M & A activities take place at the corporate level and ROE is the goal.

THE STRATEGIC MANAGEMENT PROCESS

Crafting strategy through the SMP requires that the strategist explicitly identify the level of analysis being performed: strategic business unit level (Figure 1) or corporate level (Figure 2). This clarifies the objective of the analysis; SBU level (Figure 1) seeks competitive advantage improvement, corporate level (Figure 2) seeks return on equity. SMP also assumes the use of the resource based view when utilizing the SBU level of analysis. Corporate level analysis can be invoked for one of two reasons, 1) making investing decisions concerning SBU level projects in an internal capital market and 2) the execution of a growth strategy of diversification which focuses on M & A activity; but both cases involve investing and financing decisions – the subject matter of corporate finance classes (e.g., Brealey, Myers, & Marcus, 2009); operating decisions on the other hand, occur at the SBU level of analysis and are facilitated by the subject matter of accounting classes (e.g., Gelinas & Dull, 2010). For students trying to synthesize, strategic management, corporate finance and managerial accounting into a unified rationale their recognition that investing and financing decisions are corporate level and operating decisions are business level is a valuable insight. Establishing the linkage between of strategic level of analysis and decision type then permits the use of the DuPont Formula (e.g., Brigham & Houston, 2007) to show the linkage between the SBU level of the SMP (Figure 1) and the corporate level of the SMP (Figure 2).

SMP: Writing the Business Level Competitive Improvement Plan

Based upon previous analysis, a competitive improvement plan, a plan designed to improve competitive advantage, is SBU level SMP (Figure 1) analysis. The initial decision must select a business level strategy – low cost supplier or differentiated supplier (Porter, 1980). Given a business level strategy, the strategist will utilize a resource based view (Barney, 1991) and value chain analysis (Porter, 1985) to guide the assembly of a set of resources and capabilities upon which can be built a set of core competencies that yield sustainable competitive advantage (Barney, 1986). Then, given a competitive advantage, the strategist must pursue market penetration or market development as a way of exploiting the business unit's competitive advantage while concurrently enhancing return on sales.

The following is a systematic method for using the SBU level SMP to develop strategies designed to produce *competitive advantage* at the SBU level of analysis. According to Barney (2012, p. 10) "the ultimate objective of the SMP is to enable a firm to choose and implement a strategy that generates a competitive advantage." Barney and Hesterly (2012, p. 66) further highlight the relationship of competitive advantage to the resource based view (Wernerfelt, 1984), by stating, "RBV is a model of firm performance that focuses on the notion that unique resources and capabilities controlled by a firm are the source of competitive advantage."

Step 1. Historical Context.

Create a historical context (competitive status of industry players) define industry value chain, historically, how the company came to be in its current competitive situation. The historical contest section is divided into three parts with each described below.

Business Definition. Provide the strategic mission and strategic intent (goals) of the firm. Strategic intent is a statement of perfection. This should include a discussion of the future of the industry based on the company and their competitor's perceptions. Some companies use the term vision to provide strategic intent, other, use goals. It is usually useful to compare the firm's mission statement with competitors. Use Abell's (1980) model (who's the customer; what need is being met; and how is that need being met?) to define each business.

Competitive Status Assessment. The use of the word competitive advantage implies a comparison of at least two entities and describes how one is better than another. The term competitive advantage then is an attribute of one firm versus other firm(s). You can verify your assessment by checking for the correlates of competitive advantage such as the Price/Book ratio (Brigham & Houston, 2007) or other lagging indicators of competitive advantage.

History. The firm history should include a general description of the company studied (brief historical review). Include the Board of Directors (provide an attachment of the members and their affiliation) and the CEO (profile and comparison with competitor CEOs). Also include industry background with a general description of companies, economic factors impacting the success of the industry, the market, consumer trends, placement of the competitors, and strategic groups.

Step 2: Exogenous Analysis

The exogenous analysis section identifies the conditions, external to the firm, that impact competitive advantage. Trend identification is critical, you must predict the future external environment and its impact on competitive advantage. The resource based view (RBV) paradigm focuses the external analysis on the following areas:

Macro-environment analysis requires an assessment of those threats originating from outside the firm in the macro environment. Those forces include the macroeconomic, government and political forces. In Sun Tzu's vernacular, this is the climate.

Industry environment analysis begins with the *life cycle model*; this will be the source of opportunities. Next describe the *industry level value chain* and identify the key firms in each link. Finally, assess the threats inherent to the industry that bear on firm competitiveness – use Porter's (2008) *Big 5 threats model.* In Sun Tzu's vernacular, this is the weather.

Strategic rival identification. This step utilizes competitive status assessments from step 1 to determine which firms possess competitive advantage, parity, and disadvantage. See Taylor and Nichols (In Press) for this assessment methodology.

Step 3: Endogenous Analysis

The endogenous analysis section identifies the conditions emanating from within the firm that impact the business unit's competitive advantage. Consistent with the focus of the strategic management process, this step identities the resources and capabilities associated with acquiring and sustaining competitive advantage. The endogenous analysis must address the following:

Resources (tangible & intangible)
Capabilities
Core Competencies
Competitive Advantage

Value Chain Analysis, at the firm level, identifies specifics for the business of interest given a generic model given the following five links: inbound logistics, operations, marketing, outbound logistics and service after the sale. Finally, the analyst places the firm level value chain within the context of the industry value chain.

Linkage analysis defines core competencies by providing the link between the value chain resource/capability and competitive advantage. Those resources and capabilities that link to competitive advantage are then, by definition, core competencies. Both primary value chain links and support activities should be addressed even though typically, only value chain links can produce competitive advantage.

VRIO analysis. Once the linkages to competitive advantage are defined, utilize Barney and Hesterly's (2012) VRIO framework (i.e., Valuable, Rare, Imitable, & Organization) to evaluate each core competency for sustainability of competitive advantage..

Step 4: Strategic formulation

Organizational Effectiveness Assessment constitutes a summary of the analysis contained in the preceding sections. Your summary should highlight the evidence of the firm's success or failure. Express assessments of organizational effectiveness, or lack thereof, in terms of competitive advantage, competitive parity, or competitive disadvantage.

Identify critical resource & capability areas. Review your previous analysis and identify those resources and capabilities (core competencies) that are the basis for competitive advantage and disadvantage of the firm of interest.

Generate a list of critical strategic actions (CSAs) that will add to competitive advantage or reduce and/or eliminate competitive disadvantage. Critical strategic actions are by definition associated with mission and vision. If vertical integration is a recommended course of action, note that the decision to vertically integrate is derived from business level value chain analysis and not at the corporate level as suggested by many texts (e.g., Barney, 2011; Hitt, et al., 2011).

Step 5: Strategic Implementation

Assess alternatives and recommend a ***competitive improvement plan.*** Your recommended strategic course of action must implement at least one of the CSAs. Cite supporting evidence drawn from the analysis. Finally, your analysis should address expected industry reactions and results, and contingency plans for dealing with those reactions. When assessing alternatives be sure to include multiple stakeholder viewpoints and make sure that you address the issues of ethics and social responsibility. Finally, you should define the measures to be used in follow-up analysis. You may choose to use direct measures to verify that the resource/capability you are creating impacts the firm's competitive advantage in the intended manner. In the final analysis, recalculation of competitive advantage will always provide the acid test of any competitive improvement plan.

CONCLUSION

This paper provides a frame of reference for the use of SMP in strategic management courses. It provides a framework for focusing analysis on either competitive advantage or return on equity by helping the student determine the appropriate strategic level of analysis. Finally, this paper has shown the student how to conduct business level analysis designed to produce competitive improvement.

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