## Contents

| List of Figures   |     |  |  |                  |  |  |
|---|-----|--|--|------------------|--|--|
| List of Tables List of Boxes Foreword                         |     |  |  |                  |  |  |
|   |     |  |  | Preface          |  |  |
|   |     |  |  | Acknowledgements |  |  |
| List of Abbreviations   | xxi |  |  |                  |  |  |
| 1 The Essence of Strategy                                     | 1   |  |  |                  |  |  |
| What is Strategic Management?                                 | 1   |  |  |                  |  |  |
| What is the Strategy of an Organization?                      | 2   |  |  |                  |  |  |
| The Meaning of Competitive Strategies                         | 3   |  |  |                  |  |  |
| The Difference between Operational Effectiveness and Strategy | 4   |  |  |                  |  |  |
| The Strategic Management Process                              | 5   |  |  |                  |  |  |
| Corporate Values and Social Responsibility                    | 6   |  |  |                  |  |  |
| Designing a Corporate Vision                                  | 8   |  |  |                  |  |  |
| Is a Strategic Vision Really Important?                       | 10  |  |  |                  |  |  |
| Sample Vision Statements                                      | 10  |  |  |                  |  |  |
| Designing a Mission Statement                                 | 11  |  |  |                  |  |  |
| The Reason Mission Statements are Important                   | 12  |  |  |                  |  |  |
| Mission Statements and the Environment                        | 12  |  |  |                  |  |  |
| Setting Organizational Objectives                             | 13  |  |  |                  |  |  |
| Long-Range and Short-Range Objectives                         | 14  |  |  |                  |  |  |
| Objectives Should be Pervasive Throughout the Organization    | 14  |  |  |                  |  |  |
| Strategic Versus Financial Objectives                         | 14  |  |  |                  |  |  |
| Carving Out a Strategy  | 15  |  |  |                  |  |  |
| Strategy is an On-going Process                               | 16  |  |  |                  |  |  |
| Sample Mission Statements                                     | 16  |  |  |                  |  |  |
| 2 Strategic Positioning and Sustaining a Market Presence      | 19  |  |  |                  |  |  |
| The Generic Strategies  | 19  |  |  |                  |  |  |
| Low-Cost Leadership Position                                  | 21  |  |  |                  |  |  |
| When Should a Low-cost Leadership Strategy be Used?           | 24  |  |  |                  |  |  |
| What do Managers Have to Do to Achieve Low-Cost Leadership?   | 24  |  |  |                  |  |  |

| vi  | Designing and Executing Strategy in Aviation Management              |    |
|-----|--|----|
| Dit | fferentiation Strategies   | 25 |
|     | che Strategy   | 29 |
|     | Geographical Niche   | 29 |
|     | Customer-Type Niche  | 29 |
|     | Product-line Niche   | 30 |
|     | Cost or Differentiated Niche Strategy                                | 31 |
| Be  | st-Cost Producer Strategy  | 34 |
| Th  | e Miles and Snow Typology  | 34 |
|     | Defender   | 35 |
|     | Prospector   | 35 |
|     | Analyzer   | 35 |
|     | Reactor  | 35 |
|     | Fresh Perspective on Competitive Strategies                          | 36 |
| A S | Summary of Competitive Strategy                                      | 37 |
| 3   | The Essence of Competitive Strategies                                | 39 |
| Fle | xibility and Competitive Advantage                                   | 40 |
| Co  | re Competency  | 42 |
| Ho  | w Does One Recognize a Core Competency?                              | 42 |
|     | Are Our Skills Truly Superior?                                       | 42 |
|     | How Sustainable is the Superiority?                                  | 43 |
|     | How Much Value Can the Competency Generate in Comparison to          |    |
|     | Other Economic Levers?   | 44 |
|     | Is the Competence Integral to Our Value Proposition?                 | 44 |
| Tur | ming Core Competencies into Sustainable Competitive Advantages       | 44 |
|     | Sustainable Competitive Strategies                                   | 44 |
|     | Fit and Focus  | 45 |
| Car | n any Strategic Position be Copied?                                  | 45 |
|     | When are Tradeoffs Important?  | 46 |
|     | Tradeoffs are Essential to Sustainability                            | 46 |
| Cas | se Illustration: Institutionalizing Competitive Advantage: Southwest |    |
| A   | irlines' Unique Advantage  | 47 |
| 1   | The External Environment   | 51 |
|     | Macro External Environment   | 52 |
|     | Micro External Environment   | 55 |
| Mic | chael Porter's Five Competitive Forces                               | 56 |
|     | Barriers to Entry  | 57 |
|     | The Power of the Supplier Market                                     | 58 |
|     | The Power of the Buyer Market  | 59 |
|     |  |    |

| Contents  | vii |
|---|-----|
| The Power of Substitute Products                                      | 60  |
| Rivalry among Industry Firms  | 61  |
| Industry Characteristics  | 62  |
| Understanding Opportunities and Threats in the Industry               | 63  |
| Driving Forces  | 65  |
| What is a Driving Force?  | 65  |
| Understanding the Competition   | 66  |
| Key Success Factors   | 69  |
| The Process of Environmental Analysis                                 | 70  |
| Environmental Scanning  | 70  |
| Monitoring  | 71  |
| Forecasting Environmental Change                                      | 71  |
| Assessing Environmental Change  | 71  |
| Using Experts to Help in Environmental Assessment                     | 72  |
| The Delphi Technique  | 73  |
| Organizational Brainstorming  | 74  |
| Tools to Address Environmental Uncertainty                            | 74  |
| Scenario Planning   | 74  |
| The Limitations of Environmental Analysis                             | 75  |
| Case Illustration: The Denver International Airport: An Environmental |     |
| Debacle   | 76  |
| 5 The Internal Environment  | 79  |
| Value Chain Analysis  | 80  |
| How Does One use the Value Chain?                                     | 81  |
| What are the Problems with Value Chain?                               | 88  |
| Strategic Cost Analysis   | 88  |
| Resource-Based View   | 89  |
| Strategy in the Twenty-first Century                                  | 90  |
| Benchmarking:Learning from Others                                     | 90  |
| Focusing on the Customer  | 91  |
| Outsourcing   | 91  |
| Strategy and the Internet   | 93  |
| Knowledge Management  | 94  |
| Case Illustration: JetBlue:Value Added                                | 95  |
| 6 Setting Corporate Direction   | 99  |
| What Will it be – Single or Multi-Business?                           | 99  |
| Corporate Strategies  | 100 |

| viii                                 | Designing and Executing Strategy in Aviation Management      |     |
|--------------------------------------|--|-----|
|                                      |  | 101 |
| Gro                                  | owth Strategies  | 101 |
|                                      | Intensive Growth Strategies                                  | 101 |
|                                      | Integrative Growth Strategies                                |     |
|                                      | Concentration Growth Strategies                              | 105 |
|                                      | Diversification Growth Strategies                            | 105 |
| No                                   | Growth Strategies  | 111 |
|                                      | Retrenchment and Turnaround                                  | 111 |
|                                      | What are the Common Themes to Turnaround?                    | 113 |
|                                      | Liquidation  | 113 |
|                                      | Divestiture  | 114 |
| Inte                                 | ernational Strategies  | 115 |
|                                      | Strategies Tailored to Specific Situations                   | 116 |
| Strategies for Fragmented Industries |  | 116 |
| Str                                  | ategies for Declining Markets                                | 117 |
| Str                                  | ategies for Emerging Industries                              | 118 |
|                                      | First-Mover Advantages                                       | 118 |
| Cas                                  | se Illustration: AA's Acquisition of TWA: Timeline of Events | 119 |
| 7                                    | Establishing a Strategy                                      | 125 |
| sw                                   | OT Analysis  | 125 |
|                                      | Strengths  | 126 |
|                                      | Weaknesses   | 126 |
|                                      | Opportunities  | 127 |
|                                      | Threats  | 128 |
|                                      | What else Can be Gained from SWOT?                           | 132 |
|                                      | Formulating Strategy under Uncertainty                       | 132 |
|                                      | Choices of Responses to Uncertainty                          | 125 |

|   | Retrenchment and Turnaround  | 111 |
|---|--|-----|
|   | What are the Common Themes to Turnaround?                                | 113 |
|   | Liquidation  | 113 |
|   | Divestiture  | 114 |
| Inte  | ernational Strategies  | 115 |
|   | Strategies Tailored to Specific Situations                               | 116 |
| Str   | ategies for Fragmented Industries  | 116 |
| Str   | ategies for Declining Markets  | 117 |
| Str   | ategies for Emerging Industries  | 118 |
|   | First-Mover Advantages   | 118 |
| Cas   | se Illustration: AA's Acquisition of TWA: Timeline of Events             | 119 |
| 7   | Establishing a Strategy  | 125 |
| sw  | /OT Analysis   | 125 |
|   | Strengths  | 126 |
|   | Weaknesses   | 126 |
|   | Opportunities  | 127 |
|   | Threats  | 128 |
|   | What else Can be Gained from SWOT?                                       | 132 |
|   | Formulating Strategy under Uncertainty                                   | 132 |
|   | Choices of Responses to Uncertainty                                      | 135 |
| Cas   | se Illustration: Background to Air Transport Regulation and Attempts for |     |
| L   | iberalization  | 137 |
| 8   | <b>Aviation Strategy Implementation</b>                                  | 143 |
| Str   | ategic Leadership: A Key to Successful Implementation                    | 145 |
|   | Preparation  | 145 |
|   | Leadership   | 146 |
|   | Change   | 146 |
|   | Partnership  | 146 |
| Kn  | owing When to Hold it and When to Outsource                              | 146 |
| Putting Together the Right Staff                          |  |     |
| Matching the Right Organizational Structure to a Strategy |  |     |
|   |  |     |

The Simple Structure

|     | Contents  | ix  |
|-----|---|-----|
|     | The Functional Structure                                      | 151 |
|     | Multidivisional Structure                                     | 152 |
|     | Strategic Business Units                                      | 156 |
| Th  | ne Matrix Organizational Structure                            | 157 |
| Ins | Instituting Total Quality                                     |     |
| 9   | Managing Strategy Execution through Tracking, Support Systems |     |
| -   | and Controls  | 165 |
| Tr  | acking through Information Systems                            | 165 |
| In  | ternal Systems  | 166 |
|     | E-Commerce as a Support System                                | 167 |
|     | Other Essential Support Systems                               | 170 |
|     | Employee-level Controls                                       | 171 |
|     | Corporate Governance Controls                                 | 173 |
| St  | Strategic Controls and Strategic Change                       |     |
|     | plementation Controls   | 176 |
| Вi  | bliography  | 177 |
|     | dex   | 181 |