

面向 21 世纪普通本科经济管理系列规划教材

战略管理

Strategic Management

(双语教程)

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内 容 简 介

战略管理是工商管理类专业的核心课程,本书由美国访问教授王道文教授在中国写作而成,阐述了战略管理的基本理论知识,既放眼全球,又结合了中国企业实际。书中三分之二的实例来源于中国的商务情况,41个独立的教学单元使课程设计和学习都较为灵活简单。

本书可作为高等学校工商管理专业本科生的双语教材,也可以供 MBA 学生使用,还可以供企业管理人员阅读。

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子路曰：子行三军，则谁与？

子曰：暴虎馮河，死而无悔者，吾不与也。

必也临事而惧，好谋而成者也。

Zilu said, "If you, Master, were given command of the combined armies, who would you want to go along?"

The Master replied, "The person who would wrestle a tiger bare-handed or march across the Yellow River, and who would go to his death without regret—this person, I would not take along. It would have to be someone who would approach any situation with trepidation, and who would be fond of planning with an eye to success."

Foreword

战略管理

Strategic Management

Strategy is a multi-element plan for achieving policy goals, by maximizing the use of a company's present and potential resources.

Management is the sum of the decisions and actions taken by an executive, or group of executives, to achieve operational goals.

Strategic management is an advanced managerial method, where the decisions and actions taken by executives are driven by corporate, unit, functional area and response strategies.

In the United States, strategic management is a central element in business and business education. In business, strategic management is a principal characteristic of successful companies. In business education, strategic management is the "capstone course" that comes at the end of MBA and other business programs.

Strategic management has not, however, been a central element of the Chinese business model. In the past, the focus in China has been on infrastructure, marketing and technology. In the future, these factors will continue to be important – but the Chinese business model is changing. As the business environment in China becomes more open, more developed, more complex and more competitive, companies will focus increasingly on advanced managerial methods, strategy formulation, and strategic management.

About this Book

This book has been designed and written to make it suitable for teaching strategic management in academic and executive programs in China. This bilingual version is being published for three reasons.

1. Many Chinese students and executives want to study business in English. They are preparing to study in a foreign country, they are specializing in some area of international business, and/or they believe studying business in English will benefit their job performance and their careers. There is another reason, which is more fundamental and possibly more important. Using an American-English text allows terms, concepts and principles to be studied in their language of origin.

But books that are written for American students, that rely primarily on American

examples, that reflect the United States business environment, and are based on United States social, cultural and historical norms are often unsuitable for teaching business and management in China.

This book was written in China, for use in Chinese academic and executive programs. Two thirds of the examples are about business situations in China; one third are from the United States, Japan and other countries. The book reflects a range of Chinese and international business environments. The principles are global. The concepts are compatible with Chinese social, cultural and historical norms.

2. An increasing number of instructors and professors in China are able to teach business and management in English. This book can be used by Chinese faculty who have medium or good English-language skills, by returned-overseas Chinese faculty, and by visiting professors from the United States and other English-speaking countries.

The book can be used in monolingual or bilingual teaching. It can be used with any of the books of Chinese business cases; with cases from Asia, the United States and Europe; with contemporary cases that are drawn from Chinese newspaper and magazine articles; or used as a stand-alone text. Its forty-one separate teaching units facilitate flexible course design and support a wide range of teaching methods.

3. The book will help universities in China to comply with directive MOE HED (2001) No. 4, Section 8, (issued by the Higher Education Department of the Ministry of Education), which requires all universities in China to teach “general and specialized courses in English and other foreign languages.”

The Sources of the Book

The book uses material from three sources: (1) the huge body of knowledge that has been developed over the past fifty years on management, business strategy, and strategic management; (2) my work as a senior corporate executive and strategy consultant in a wide range of industries in the United States and forty other countries; (3) my strategy-related research in the United States, China and other countries.

Acknowledgements

Many people, over many years, have contributed to the material contained in this book. When I was studying marketing strategy at Harvard Business School in 1970, Martin V. Marshall and Edward C. Bursk provided me with the dichotomous pairs discussed in Units 11, 12 and 13. Since then, clients and colleagues in business and academia have provided ideas and data that have led to the development of a new dichotomous pair, or to the improvement of a concept or principle. In this regard I am especially indebted to Wan Chew Yoong, Kathleen E. Brush, Robert W. Helm, Margaret F. Schulte, Syed Aqeel Tirmizi, and Syed Aon Raza. I would also like to thank my research assistant Yang Siwen, and my colleagues Zhou Luyang, Shentu Xiaojuan, and Ma Keyun for their assistance in the preparation of the book. And finally, I must thank professor Li Shengxiao for his support and assistance, without which this book would

not have been possible.

Errors and Suggestions

If you find an error in the text, or have a suggestion that would improve future editions of the book, please e-mail me at strategy@china.com.

Warnock Davies (Chinese name: Wang Daowen)

August 2004

前言

战略管理

Strategic Management

所谓战略，是指为了最大限度地利用公司现有的和潜在的资源，实现公司的目标或目的而制定多要素计划。

所谓管理是指执行官或执行官群体为了达到企业的运营目标或目的而做出的各种行为的总和。

战略管理是一种先进的管理方法。在战略管理中，公司执行官的行为受到公司整体战略、运营单元战略、功能区域战略和应对战略的推动。

在美国，战略管理是商务以及商务教学的中心要素。在商务中，战略管理是成功的公司最根本的特征。在商务教学中，战略管理是在 MBA 和其他商务课程最后阶段进行的“顶点课程”。

然而，战略管理仍然不是中国商务模式的中心。过去，中国所关注的是组织下部的基础、市场营销和技术。今后，这些因素还将继续扮演重要角色——但是中国的商务模式正在演进。随着中国的商务环境正变得更发达、更复杂，也更富竞争性，中国的公司必定越来越重视管理手段、战略构建和战略管理。

关于本书

本书在设计与写作上都以适合中国学术和执行官课程中的战略管理教学为宗旨。采用双语出版，更有其无可替代的优势：

1. 很多中国学生和执行官都希望能用英文学习商务——他们准备出国学习，或以国际商务的某个领域为专业，或认为这可以为自己的工作表现或职业生涯增色。除此之外更为重要的一个原因是，使用美式英语的行文，所有术语、概念和原则都以其在母语中的发源形式出现，更利于理解掌握。

但相对于专为美国学生撰写的教材，本书又有所不同。对于前者而言，其实例主要都是来自于美国的商务情况，基于美国的社会、文化与传统道德，不见得适合中国的商务管理教学。而本书的设计与写作均在中国进行，针对中国的学术

与执行官课程而展开。书中三分之二的实例都是关于中国的商务情况；另外三分之一则是关于美国、日本和其他国家的商务情况。本书的原则是放眼全球，理念是与中国的社会、文化与传统的道德相符。

2. 在中国，可以使用英文进行教学的导师、教授越来越多。只要具备中等以上的英文水平，就可以使用本书英文版。而对于有过海外留学经历的学者或是来自于任何讲英语国家的访问学者来说，本书更是他们所寻觅的教本。

由于中英文两部分相互独立又互相结合，本书既可以用中英任何一种语言学习，也适合同时用双语学习。它可以同任何一本来自中国、亚洲、美国和欧洲的案例集配套使用，也可以和报纸上以及杂志上的文章配合使用，还可以单独用作教材。41 个独立的教学单元使课程设计变得容易，并且该书适合用任何一种教学方法讲授。

3. 在教育部[2001]4 号文件中，教育部高教司要求中国所有大学用英语及其他外语进行公共课程和专业课程的教学。本书可帮助校方在教学中更好地贯彻这一精神。

本书的来源

本书所用到的材料主要来自三个方面：

- (1) 在过去 50 年中所积累的大量管理、商务战略和战略管理方面的知识；
- (2) 我作为高级执行官和战略顾问在美国和其他 40 多个国家的工作；
- (3) 我在美国、中国和其他国家进行的与战略相关的研究。

致谢

本书中所运用的材料包含了许多人多年的心血。1970 年当我还在哈佛大学商学院学习市场营销战略时，Martin V. Marshall 和 Edward C. Bursk 向我提供了在第 11、12 和 13 单元讨论的要素对。从那时起，商务客户和学术界的同事就不断与我探讨各种想法，这直接导致了新要素对的产生，以及概念或原则的改善。为此，我特别感谢 Wan Chew Yoong, Kathleen E. Brush, Robert W. Helm, Margaret F. Schulte, Syed Aqeel Tirmizi 和 Syed Aon Raza。我也同样要感谢我的研究助理杨思问，我的同事周露阳、申屠晓娟、马可云对本书编写工作的帮助。最后，我必须感谢李生校教授对本书的支持与协助，没有他的帮助，这本书是不能完成的。

错误与建议

如果您在书中发现了错误，或有对以后版本提高的建议，请发邮件到 strategy@china.com 与我联系。

王道文 (Warnock Davies)

2004 年 8 月

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Understanding Strategy

战略管理

Strategic Management →

Unit 1 The PSR Troika

Unit 2 Inputs, Options and Outcomes



Unit 1

The PSR Troika

Strategy is a multi-element plan for achieving policy goals, by maximizing the use of a company's present and potential resources.¹ Strategy can be best understood if it is viewed as an element of a troika that includes policy, strategy and resources.

In English, the word policy is from the word polis, the ancient Greek city state. In government, policy is the product of a legislature that delineates the goals and priorities of the state. In 1978, the Third Plenary Session of the Eleventh Central Committee, under the leadership of Deng Xiaoping, made socialist modernization China's primary policy goal. In 2002, at the 16th CPC Convention in Beijing, Jiang Zemin said that China's policy goal is to become – by the year 2020 – *xiao kang she hui* (a medium well-off society). Policy is a legislative function.

In business, policy states what a company does, and defines the company's goals and priorities. Legend is China's largest manufacturer and marketer of personal computers (PCs). When the Legend Group Limited says it is an "all-round IT solutions provider," it is saying what it does. Legend is defining policy goals and priorities when it says it is moving from being "a traditional market-driven firm" to being "a

¹ In the academic world, there are many schools of strategic thought – and each school defines strategy differently. The definition used here belongs to the "policy-driven" school, which includes some elements from the "resource-based" school (Wernelfelt, 1984) and the "design" school (Andrews, 1987). For a discussion of schools of strategic thought see Mintzberg, Ahlstrand and Lampel (1998).

technology-driven high-tech enterprise with sound research capabilities”; when it says it has “a bold target to achieve 20-30 percent growth in its annual revenues by 2010”; and when it says its goal is to achieve “healthy business growth that will bring strong long-term returns to shareholders.”

Policy also prescribes where a company operates – its “area of domain.” Area of domain has two dimensions: industry and geography. Haier is China’s largest manufacturer and marketer of household appliances. Its industry area of domain is the household appliances industry. Its geographical area of domain is defined by the company’s “three-thirds” policy. This says that one third of Haier’s products will be made and sold in China, one third will be made in China but sold in foreign countries, and one third will be made and sold in foreign countries.

Strategy is from the Greek *strategos*, which means general. In the Greek city states, the general was responsible for formulating a multi-element plan for bringing the legislature’s military policies to fruition, and for implementing this plan. Deng Xiaoping’s strategy for achieving socialist modernization in China included opening to the outside world, the “four modernizations” (the modernization of industry, agriculture, national defense and science and technology), and the “rapid development of our productive forces” (Deng 1978). In China today, the government’s multi-element plan for achieving economic development and transforming China into a “medium well-off society” includes international trade, foreign direct investment, education, infrastructure development, public health and the ecological environment. Strategy is an executive function.

In business, strategy is a plan that outlines how policy is to be achieved. Strategy defines what operational units the company will use to achieve its policy goals, and how these operational units will be structured. Strategy also determines what present and potential resources will be needed to achieve the company’s policy goals, how potential resources will be acquired, and how present and potential resources will be used. Strategy is the big how.

Because strategy is a plan for achieving a particular policy goal, all strategies are situation specific. Because strategies are situation specific, they are time sensitive.

The third element of the PSR Troika is resources. Resources are the matériel and methods that are the with-what of strategy. Matériel includes capital, physical plant, raw materials and parts; as well as intangibles such as information, patents and trademarks,

distribution networks, technology, human-resources know-how, employee and customer loyalty, market reputation, and the ability to borrow. Methods includes a range of management, manufacturing and marketing functions and processes, such as motivational, negotiating and alliance skills, and other intangible resources that are covered by the terms benchmarking, best practices, outsourcing, total quality management, core competencies and competitive capabilities. For example, Legend's Chairman, Liu Chuanzhi, is talking about a mix of matériel and methods resources when he says: "We possess rich market and technical resources, practical experiences obtained in the domain of the information industry, and expediciencies in enterprise operation and management."

A company's resources are what make the formulation of corporate, unit, functional area, and response strategies possible. They are a *sine qua non* of strategy: without resources strategy can achieve nothing.

There is another *sine qua non* of strategy: tactics. The term tactics (from the Greek *taktikos*, of order or arranging) refers to the detailed activities and actions that are needed to effect strategy implementation. Tactics are the detail-how of strategy.

Weighting The Elements of the PSR Troika

A troika is a system made up of three elements, where the elements have equal weight and act in unison. A graphic example of this is the Russian troika: the carriage, wagon, or sleigh that is drawn by a team of three horses abreast.

In the PSR Troika, management theorists and corporate executives give the three elements very unequal weight and standing. Policy is seen as an abstract and somewhat bookish concept that is more applicable to the public sector than to business; and resources are seen as necessary but boring. Strategy, on the other hand, is seen as the glamorous two-thousand pound gorilla – so everything that matters gets called strategy.

The term strategy is frequently applied to what is in fact policy. This has blurred the distinction between the what and the how – and has prompted authors to invent new terms such as "strategic intent" (Hamel and Prahalad, 1989) when referring to policy.

The term strategy has also been applied to what are in fact resources. Some authors have defined strategy as resources development and utilization (Wernelfelt 1984, Barney 1991, and Peteraf 1993); and some proponents of total quality management, benchmarking, best practices, outsourcing, and core competencies have presented these

resource methods as strategy.

Causality in the PSR Troika

A primary characteristic of strategy is it has a causal relationship with the other two elements in the PSR Troika (see figure 1.1). Strategy is the “how” means for achieving policy; resources provide the “with-what” means for achieving strategy.

These direct relationships result in an indirect means-ends relationship between resources and policy. Because resources are the “with-what” for implementing strategy, it is strategy that drives decisions relating to the acquisition, development and deployment of a company’s resources: and it is strategy that determines the priority that will be given to different resources, how the combination of resources will be configured, and how resources will be used.

The practical value of the PSR causality model is it serves as a tool for analyzing and formulating strategy. By defining the “what”, “how” and “with-what” of the relationships between policy, strategy and resources, the model provides a diagnostic template for strategy analysis and a design template for strategy formulation.

The Practical Application of the PSR Troika

Policy

The purpose of policy is to define what a company does, and where it does it. In some cases, policy also defines why a company exists. For example, Beijing Peking University Founder Group Corporation (Founder) was created in 1986 to commercialize the scientific and technological research that was being developed by specialists at the Computer Science and Technology Institute at Beijing University.

The “what” and “why” parts of policy remain relatively fixed, and help develop and sustain a company’s direction. At First Automotive Works (FAW), China’s largest maker of motor vehicles, the “what” part of policy was to make trucks, the “why” part of policy was to contribute to China’s growth and economic development.

The “what” and “why” parts of policy may go unchanged for decades. For example, Tsingtao was founded in 1903 to make beer. One hundred years later, Tsingtao’s *raison d’être* is still to make beer, and making beer is still what it does.

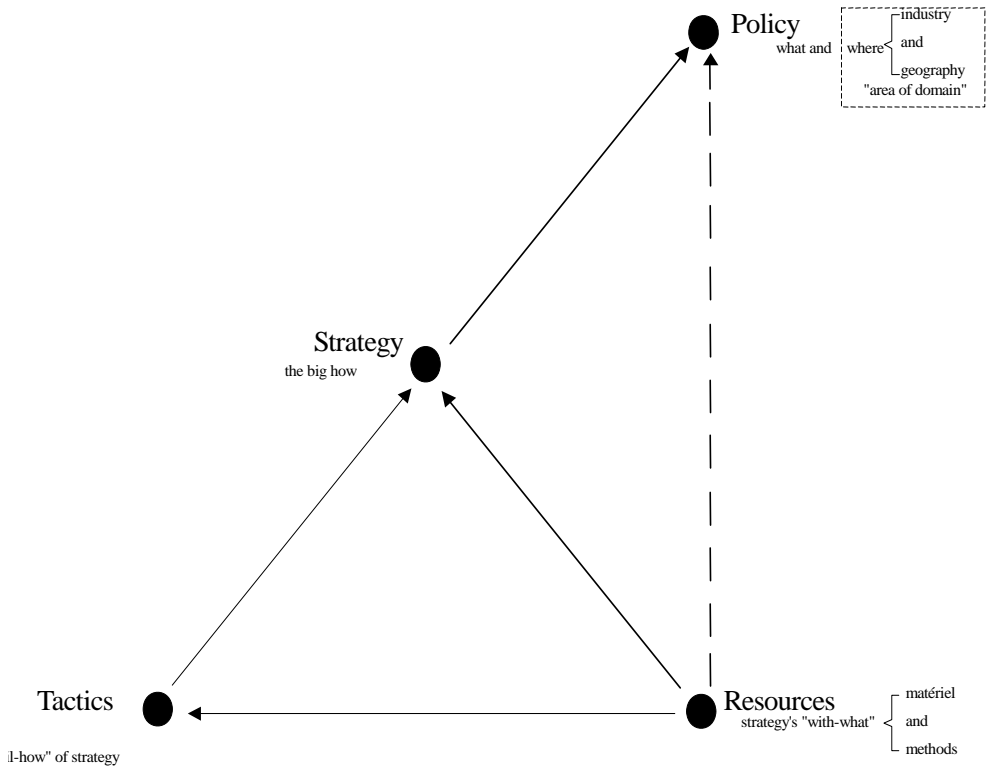


Figure 1.1 The PSR Troika

But what a company does can change. The original plan for FAW, which was developed by Chairman Mao Zedong when he visited the Stalin Automobile Factory in the USSR, in 1949, was for FAW to contribute to China's growth and economic development by making medium-sized trucks. FAW was founded in 1953, in Changchun city, Jilin province; and for more than thirty years it made one model of medium-sized truck. But in 1986, China's "7th Five-Year Plan" expanded FAW's industry area of domain to include the manufacture of small cars. FAW's *raison d'être* has not changed, and its area of domain is still the motor vehicle industry in China. But "what" it does has been expanded to include cars as well as trucks, and to include marketing as well as manufacturing.

Founder's *raison d'être* is still to commercialize the scientific and technological research that is developed at Beijing University. But what the company does has changed, and is continuing to change. The company's original product was based on the electronic publishing technology that had been developed by Professor Wang Xuan and his colleagues, and focused on the publishing industry. The company, and its many subsidiaries and joint ventures, now makes and markets a wide range of products that are used in a wide range of industries.

Legend was established in Beijing in 1984 to distribute foreign-made computers, printers and peripherals (including those made by IBM and Hewlett-Packard), and to develop and market a Chinese card for use with those imported products. But in 1990, the company began to design, manufacture, market, and distribute its own line of PCs; and in 1998, it opening its first Legend 1+1 Home PC Specialty Store and moved into retail operations.

Brilliance China Automotive Holdings Limited, located in Liaoning Province, sees itself as fundamentally changing what it does. In 2002, the company's president, Su Qiang, said Brilliance is in "transition from a financial and investment company to a car maker."

hanging what a company does can also result in certain activities being discontinued. In 1997, PepsiCo divested of its fast food business operations, which included Kentucky Fried Chicken (KFC) and Pizza Hut. And in 2001, Legend divested its original area of domain, by spinning off its foreign-brand distribution operations.

The “what” part of policy also includes a company’s policy goals. One of Tsingtao’s policy goals is growth. In 2002, Tsingtao announced it had entered into a strategic alliance with Anheuser-Busch, the world’s largest brewery, which already owns 4.5% of Tsingtao – and said it wanted to mark its 100th anniversary (in 2003) by expanding annual output to 3.5 million tons, which would make it one of the world’s 10 largest breweries.

Policy goals are also subject to periodic change. One of China’s largest beer producers is Zhujiang Beer Group (ZBG), in Guangdong Province. ZBG’s policy goals had traditionally been to maximize profits, and it was reportedly the industry’s most profitable large brewery. But in 2002, ZBG entered into a strategic alliance with the world’s second largest brewer, Belgium’s Interbrew, and changed its policy emphasis from profits to growth.

Policy also prescribes where a company operates – its “area of domain.” The where part of policy is also subject to periodic change or adjustment.

In 1998 and 1999, surveys done by Fortune magazine concluded that General Electric (GE) was the “Most Admired Company” in the world. In 2000, Fortune magazine named Jack Welch (who served as Chairman and CEO of GE from 1981 to 2001), as the “Manager of the Century.” When Welch was appointed Chairman and CEO of GE, the company manufactured and marketed a large range of products that included household electrical appliances, aircraft engines, and nuclear power plants – and was famous for being an extremely well managed and successful company. But Welch redefined the company’s operational domain by drawing a Venn diagram (three overlapping circles) to prescribe the three areas on which GE would concentrate. One of these circles was GE’s existing manufacturing areas of domain. One of the new circles Welch added was broadcasting and communication; the other was financial services. Later, Welch changed GE’s manufacturing area of domain to emphasize services, and to change GE’s original operating units from what he called “hardware” companies, to companies that provided both hardware and services.

Since 1990, Legend’s Consumer Products division has focused on the design, development, manufacture, marketing, distribution and sale of personal computers,

printers and peripherals. But in 2002, the company expanded its industry area of domain: the Consumer Products division moved into the digital products segment of the information technology (IT) industry, and the Commercial Products division moved into the high-performance supercomputer sector of the IT industry.

Volkswagen's area of domain in China was, until recently, the car manufacturing segment of the automobile industry. But since 2002, the company has been expanding its area of domain into the car marketing segment of the industry, and has indicated it plans to further expand its industry area of domain to include car financing, car leasing and the sale of used-cars.

The Chinese company that has had the most extreme change in industry area of domain is Galanz Electric Appliance Company. Galanz was founded in 1979 in Shunde city, Guangdong province, as Guizhou Down Product Factory. The company's 200 employees hand-washed duck feathers, which were exported for use by foreign manufacturers. Over the next fourteen years, the company grew and expanded its area of domain to include wool spinning and the manufacture of quilts and clothing – which were sold with the Galanz brand.

In 1992, the company changed its name to Guangdong Galanz Enterprises, established the Galanz Electric Appliances joint venture, and began to manufacture and market microwave ovens. By 1999, Galanz was the largest microwave manufacturer in the world: making more than six million microwave ovens a year, and holding a 67% market share in China and a 25% market share in the European Union. In 1999, Galanz completed the change in its industry area of domain, and closed its last textile manufacturing factory.

A company may also change its geographical area of domain. Before May 2003, Legend sold some components and products in North America and Europe, but its primary geographical area of domain was China and Asia. In May 2003, the company announced it was expanding its geographical area of domain to include the whole world.

The change in the policy goals of the ZBG, from profits to growth, will not change the company's industry area of domain: it will still operate exclusively in the beer industry. It will, however, change ZBG's geographical area of domain. ZBG controls about 50 per cent of the beer market in Guangdong Province, but it has very small market share in other parts of China. To achieve its policy goals, ZBG will buy breweries in other parts of China. This will change ZBG's geographical area of domain

from south-east China to China.

A second purpose of policy is it provides the object for strategy. Strategy is a plan for achieving policy. In many cases, it is impossible to develop a strategy, because there is no antecedent policy. (This problem is discussed further in Unit 32).

In most well-managed companies, however, an antecedent policy does exist. The area of domain defined by Welch's Venn diagram provided senior management with criteria for developing GE's acquisition and divestiture strategy, and provided all executives at GE with clear policy parameters for developing strategy or business development proposals. His periodic policy adjustments provided the policy basis for strategies that drove GE's acquisition and divestiture decision-making.

Interbrew also has well defined policy parameters. In terms of industry, Interbrew specializes in making and marketing beer. In geographical terms, Interbrew defines its area of domain in China as the Yangtze Delta region. In 2003, Interbrew acquired 70% of K.K. Brewery, located in Ningbo, in Zhejiang Province. During the acquisition process, Interbrew sold the operations of K.K. Brewery in Kunming, in Yunnan Province, because they were outside its area of geographical domain and, therefore, "did not fit with Interbrew's strategy for China."

A third purpose for policy is it allows management to communicate a company's mission, policy goals, and operational domain to its internal and external constituencies (see Unit 37). Part of the reason GE received Fortune magazine's "Most Admired" award in 1998 and 1999, and why Fortune named Welch its Manager of the Century, is due to GE's consistently high growth in revenues, earnings and stock price. But it is also because Welch developed what were seen as appropriate and unambiguous policies, and because he successfully communicated these to the company's many external constituencies.

Part of Legend's success is its policies allow it to communicate what it does and where it does it – and to communicate its policy goals – to its customers, employees and present and prospective shareholders; to its suppliers, distributors and retailers; to its host governments and host communities; and to regulators and industry analysts. At the Legend World 2002 Forum in Beijing, Legend's President and CEO, Yang Yuanqing, said the company will concentrate on technological innovation in four major areas: high performance computing, network storage, centralized management and optimization

resources, and applied software platforms. And Legend's reports to its shareholders and government regulators, to financial analysts, and to the Hong Kong Stock Exchange – and the data provided on the company's web site – are all driven by the company's definition of what it does and where it does it, and by its policy goals.

Some companies operate in more than one industry: they have multiple-industry areas of domain. If these companies are privately owned, or are owned by the government, this may not hurt shareholder confidence. But for publicly listed companies, area of domain ambiguity can be a problem.

China Aviation Industry Corporation II (AVIC II) is China's largest maker of civilian and military aircraft, but it also is one of China's largest makers of minivans and holds 43% of the country's small car market. When AVIC II has completed its Initial Public Offering (IPO), and becomes a publicly listed company, this may adversely affect investor interest in the company. Investors may avoid buying the company's shares because they want to invest in either the aircraft industry or the automobile industry, and not both – or because they prefer to invest in companies that specialize.

In 2003, Brilliance divested its pharmaceutical, electronics and other non-car making businesses. This changed the company's industry area of domain, and allowed Brilliance to pursue a specialized strategy that allows it to concentrate on making cars. But, according to the company's President Su, changing and clarifying the company's area of domain was also done to improve “investor confidence.”



Policy-related terminology

Policy positions

The term policy can be ambiguous because the word is used in at least two derivative forms: “policy positions” and “operating policies.”

“Policy positions” are formal statements that to spell out the company's core values and beliefs, and/or that define the company's position on a specific issue. Policy positions may refer to hiring practices, professional ethics, the environment, and customer service; and companies may issue ad hoc policy position statements relating to the recall of a defective product or to communicate their response to regulatory or industrial action.

For example, Legend's Chairman Liu says “We believe that by providing our staff with an excellent living and working environment, we are helping them to bring their

creativity into full play. We believe that the perpetual motion that drives our enterprise to success is our invaluable human resources.” And Coca-Cola says one of its “fundamental principles for conducting business in over two hundred countries around the world is respect for human and labor rights,” and that it “treats employees with fairness, dignity and respect, and follows all local laws.”

Operating policies

“Operating policies” are rules, regulations, guidelines or contractual standards that govern the conduct of a company’s operations. Coca-Cola (China) Beverages Ltd., which has 28 bottling plants in China, has said it “will not seek majority or controlling shares in local joint ventures, even if the Chinese Government allows it.” Volkswagen, who through its joint ventures with FAW and Shanghai Automotive Industry Corporation (SAIC), has the largest share of the Chinese car market, has said “We have not followed the price war in the Chinese market and we will not do this.” And Tricon, the parent company of Kentucky Fried Chicken and Pizza Hut, says the reason it is not considering franchising its Pizza Hut restaurants in China, at this time, is driven by the need “to control the quality of our products and services.”

Some companies may use the word “corporate” when referring to these operations policies, to indicate that the rule, regulation, guideline or contractual standard was formulated at the corporate level and that it applies to all of the company’s operating units. The use of the word corporate in these cases does not, however, change the fact that these are operating, and not corporate, policies.

Policy Slogans

The policy terminology waters are also muddied by what can be called “policy slogans.” These are the frequently invoked phrases that are often a mix of promotional tag-lines and motivational mantras. For example, Jack Welch’s policy slogan was that GE must be “Better than the Best.” Legend’s Chairman Liu says Legend “would like to make friends with more people, provide households from all parts of the world with better products and services, and propel the human society into an even wider space for progress.” Haier says it is “Dedicated to the motherland by pursuing excellence.” Youngor, one of the most famous clothing brands in China, says its goal is to “make its customers satisfied; make its partners profitable” and “to dress up life; serve society.” Coca-Cola says “The Coca-Cola Company exists to benefit and refresh everyone who is

touched by our business.”

“Policy slogans” often look like corporate policy, but they do not define substantive goals and priorities or prescribe the company’s operational domain. “Policy slogans” can be important and effective communication, marketing, leadership and motivational tools – but they do not drive strategy.

Mission

There are two other terms that are frequently associated with policy: “mission” and “vision.” A company’s “mission” defines the organization’s *raison d’être*, its reason for existing. Mission statements are mechanisms for communicating a company’s *raison d’être* to its internal and external constituents. For example, Chery, a domestically owned Chinese car maker based in Wuhu, Anhui Province, defines its mission as “providing ordinary Chinese consumers with affordable and high-quality cars.”

Legend says its mission is “to streamline our customers’ living and working conditions by providing them with the latest and best in IT products and services; to maximize our shareholders’ long-term benefits; to provide a stimulating and challenging working environment in which employees can find multiple opportunities for personal and professional advancement; and to contribute responsibly to the development of the wider community.”

Mission statements frequently refer to a company’s industry and geographical area of domain. For example, Coca-Cola’s mission statement says the company “is the world’s leading manufacturer, marketer, and distributor of nonalcoholic beverage concentrates and syrups, used to produce more than 300 beverage brands. Our corporate headquarters are in Atlanta, with local operations in over 200 countries around the world.”

Mission statements may also refer to a company’s policy goals. Founder’s distribution subsidiary, Founder Century, says it is “working hard to carry out its mission, ‘To become China’s No. 1 IT product distributor and China’s best information solution provider’.” When mission statements address how the institution’s *raison d’être* will be achieved, they refer to strategy and resources.

Vision

“Vision” is seeing a desired future situation. Jean-Paul Sartre (when talking about art, religion, science, social structures and politics) defined vision as the ability to think

of what is not. Vision is Chairman Mao Zedong describing the coming of a socialist New China as “a ship far out at sea whose mast-head can already be seen from the shore; it is like the morning sun in the east whose shimmering rays are visible from a high mountain top” (Mao 1930).

In business, vision provides a conceptual precursor to the creation of a company’s *raison d’être* and corporate policies. Vision is Jack Welch, in 1981, saying “A decade from now I would like General Electric to be perceived as a unique, high-spirited, entrepreneurial enterprise...” (Aguilar et al. 1985, 4).

The what of corporate vision – the image of what a corporation will be and what it will do – provides the conceptual basis for its policies. For example, in 1994, Jeffrey Bezos imagined the virtual bookstore, and in 1999 he saw Amazon.com as the “earth’s biggest river, the earth’s biggest selection” (Brooker 1999, 10).

The how of corporate vision – the visual image of how a corporation’s policy goals will be achieved – provides the conceptual basis for its strategies. For example, Founder’s conceptual basis for its strategies and organizational structures is the “Head propping up the sky, feet rooted in the ground.”

Strategy

The purpose of strategy is to provide a multi-element plan that maximizes the use of present and potential resources to achieve a company’s policy goals. Strategy is about “how” policy is to be achieved.

Jack Welch used divestiture strategies to remove units that fell outside the parameters of his Venn diagram; he used acquisition strategies to add units that fitted with his vision of GE as a unique, high-spirited, entrepreneurial enterprise; and used vertical and horizontal diversification strategies to achieve the company’s policy shift from hardware to a hardware / services mix. These strategies resulted in the divestiture of Utah International (one of the GE’s largest and most profitable subsidiaries), because as a mining company it did not fit within the company’s area of domain parameters. These strategies also drove GE’s acquisition of NBC and numerous financial services companies.

For Legend, Tsingtao and ZBG, a dominant policy objective is growth. The growth strategy of Legend’s Consumer Products division includes increasing its PC market share in China from 30% to 40%, and becoming a major player in the digital-products market in China. Tsingtao and ZBG’s strategies for achieving their growth policy