

JOURNAL OF SMALL BUSINESS
STRATEGY

Book Review

Strategy-Specific Decision Making: A Guide for Executing Competitive Strategy

By William Forgang
ISBN: 0-7656-1288-7

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INTRODUCTION

Overview of the Book

This relatively inexpensive textbook's unique strength is that it presents the author's theoretical approach to strategic decision-making, but does so in such a way that helps students understand the theoretical *and* integrative features of the simulation. This is not one of the expensive color-laden, hardback texts that cost students dearly. It is a plain print, paperback. The conceptual and pedagogical approaches are what distinguishes this book, and more than makes up for the lack of color that is so fashionable, but expensive. In a nutshell, this textbook facilitates the teaching of practical theory that nicely complements a strategic management simulation used in some schools.

Forgang presents nine conceptual chapters. The opening chapter is preceded by an opening or "Cohesion Case" (Gelle's Building Products). Parts of this short case are then used throughout the chapters to illustrate specific conceptual material. Students are asked to evaluate the opening case at the beginning of the course and to save their written evaluation. Then, at the end of the course, (Appendix I) students are again asked to evaluate the case so they can

see for themselves just how differently they now view the case. This method provides some idea about how this important textbook encourages integrative, pragmatic thinking, but there is also much more.

For example, in Appendix II, the "Instructor's and Student's Simulation Guide", lists eighteen sets of questions organized into two groups; "Pre-Simulation Activities" and "Post-Simulation Activities", with an introductory explanation preparing students for the simulated experience. Each question area contains from two to six subordinate questions which are keyed to specific, previous in-text exercise application problems which can either be used in class as group exercises, or required as written-up homework. In addition, there are seven short – most are two pages – case studies each with an end-of-case exercise. These questions and cases are intended to illustrate specific concepts present in previous chapters. One of the main differences, however, is that Forgang's cases and exercises are much more acutely focused than the average text, hence the term "strategy-specific".

Chapter-by-Chapter Highlights

Forgang begins with an exposé of his model of "Strategy-Specific Decision Making" which is not very different from

so many stage-models in the strategic management literature. But then, Forgang gets into one of the emphases of his book. His notion of strategy-specific decision making brings in two important concepts: First, his "Strategic Lens" concept and second, the importance the author places on decision priorities.

Forgang defines the important role of the strategic lens as "to evaluate decision options, to make consistent and complete decisions, and to explain the logic behind one's actions" (p. 9). In placing the emphasis upon strategic priorities, Forgang sets the stage for a good discussion of how actual decisions are made in business. Regarding priorities, Forgang states there must be clear priorities because trade-offs are often necessary.

Chapter 2 is a thorough explanation of the nature of competitive strategy. The most important and useful contribution by Forgang in this chapter is the notion of his *theme-based weighted value proposition* (p. 23). This important concept is missing in most other texts. Forgang describes this as an operational procedure of identifying important values and assigning weights to each of them. Weights help to clarify the mission statement to improve organizational focus and manage priorities, thus, better enabling the design and implementation of *specific* strategic decisions. The beauty in his scheme is the refreshing operational clarity it provides. His weighted value proposition statement helps decide what is to be done specifically to implement a mission statement. Too often, the gap between theory and practice is too wide for students to learn to quickly apply. Working in concert with the simulation, students' value proposition statements guide them to make specific decisions for their simulated companies that better implement their mission statements; much better than trying to guess just exactly what the mission would look like otherwise.

Chapter 3 begins by discussing the importance of strategic decision making *per se*. The most important part of the chapter, however, begins on page 41 where Forgang returns to the key notion of managing by competitive theme. Here, he explains how strategic decision making interacts with all other parts of the organization. The best decision is one that recognizes all the various ins-and-outs of the organization. The author states: "Understanding the cause-effect linkages in an organization is an essential ingredient of strategy-specific decision making" (p. 42). It is this kind of truly integrative material that makes Forgang's text so strong. Working through specific case examples such as a restaurant (where speed of service is a priority) and a print shop, the author does more than just explain how decisions are made; he *shows* how they are made.

Forgang then works through the case of how Vera, part owner of a family-owned print shop, uses the model to conceptualize a problem (excessive customer complaints and refunds) to proceed through decision making only to find out that the problem was misdiagnosed by the owner. Through what Forgang calls a "cause-effect analysis," it is revealed that the print jobs that had been accepted could not have been performed with the type of printing machinery the company already had. Implied is that new machinery should have been in place, or the order should not have been accepted. A complete decision was not made. The case begs the question: How would a complete decision have been made? The author puts the icing on the cake by summing up the case in a special section entitled "Lessons Learned: The Art of Decision Making" which pulls together the essence of the case example in Chapter 3. It should be emphasized that in this analysis, and throughout the book, Forgang fully elaborates the many considerations and interactions that have to be considered in an organization to clearly illustrate how a decision in one area affects other areas of a

company.

One problem with typical organizational performance measures is they focus too much on short-term results without enough stress on the process that produces intermediate results. In Chapter 4, Forgang remedies this by focusing on the importance of intermediate measures. He again refers back to his value proposition framework, but adds the concept of intermediate performance measures. What is refreshing is that he provides a dialog of continuing certain examples; not a plethora of many short examples, but a much smaller number which are continued throughout the text and referred to again and again. By the way, virtually all of these examples seem to be of small firms. This is so different from the bias of virtually all strategy texts which place big organizations as the only ones who need strategic management. Small companies should use strategic management too.

Forgang then shows the connection of intermediate performance measures with market targets, i.e., market segmentation. Forgang really takes off in this chapter because this is where he begins to jump off into competitive marketing strategy with all of its dynamic considerations. One thing to show students is how the pro-forma statement in the simulation changes after the game continues to year three or four of competitive rounds, which is about half-way through the eight-year simulation. Students may experience a surprise when they find that their actual decisions do not jibe so closely with their earlier pro-forma decisions when there was little competitive pressure. The lesson is that the competitive environment is always changing, even intensifying.

Chapter 5 is where the preceding chapters culminate. Continuing with the example of Greene's Grocery, Forgang provides a comprehensive model of upstream and downstream analysis (p. 71) to show, by example, how a trucking company would

proceed from step to step. One of the more interesting concepts is that of decision completeness. One recurrent theme in students' simulated decisions is the issue of the lack of complete decisions. Complete decisions, according to Forgang, means thinking through all the possible outcomes to make sure that value propositions are implemented consistent with the company mission.

Forgang's Chapter 6 continues with the discussion of upstream (i.e., marketing initiatives) and downstream (execution) analysis by expanding the focus into the area of organizational structures. This chapter is probably the closest to what would be considered a mainstream or typical discussion of how organizations must be structured and adjusted appropriately to implement proper management and control systems. Forgang provides two particularly nice items in this chapter. One, he provides a summary figure of the components of a strategic planning document which a lot of businessmen and women could use, since many companies do not have a mission statement, much less a strategic plan. A great workshop that could be provided to practitioners would be for owners to bring their mission statement and work through the strategic plan checklist. Two, he shows how forecasting and potential performance gaps can be identified and analyzed using his interim performance measures. The point of interim measures is so that corrections can be made before it is too late. Even if companies do take long term performance measure seriously, they may be surprised if short term and intermediate term measures are not also set and assessed along the way.

Chapter 7 continues to build on the upstream-downstream model introduced in chapter five, to describe and explain the strategy implementation process. The author focuses on upstream analysis by taking the reader through five steps of implementing a company's value propositions. (Remember that the value proposition is one of the key

missing links in other models). This concept helps students understand how a mission is operationally defined, or retranslated, so it can be more practically understood and implemented.

Forgang conceives of the integration of business operations as a triangle. His illustration (Fig 7.3) shows the company in the center, with competitive strategy at the apex. Buyer expectations and integrated operations share each horizontal corner. He then proceeds through the remainder of Chapter 7 by discussing specific concepts that good companies use to identify and connect with their best prospects. He ends chapter seven by introducing a variety of specific outcome measures, more than one will see in a typical strategy text, for assessing organizational performance.

The last full chapter is Chapter 8. (Chapter 9 is only three pages long). Chapter 8 does what it should do; it focuses on the implementation and control of overall, corporate strategy. More than any other chapter, this one reads like a common strategy text, with explanation and description of corporate strategies, strategic business units, conglomerate diversification, and leveraging.

The last chapter is a short stint on leadership. The author identifies and briefly discusses a small variety of leadership characteristics, but what is unique about this last chapter, is that the author describes what good *simulation* leadership is. This description helps students perform better as strategic decision making teams as they work with the strategic simulation. This last chapter should probably be lengthened, and possibly placed somewhere near the beginning of the textbook instead the end.

Forgang's writing style is very easy going. In fact, the whole textbook has the demeanor of a theory-based, applications guide, but not a user's manual. As the author begins each chapter, the previous chapter is summarized

and put into context to show how the present chapter builds on the previous chapter. The author also continually builds a sense of continuity since he points to the opening case (Gelle's Building Products) as well as Green's Grocery, throughout the textbook. This serves to keep readers grounded as they gradually *build* conceptual and practical knowledge, as well as practical decision making skills.

Concluding Remarks

To conclude, whether you are interested in changing to an internet-based strategy simulation to pull everything together for your graduating seniors, or whether you just want a new textbook whose mission is more practical and applied, you owe it to yourself and your students to take a look at this one. I certainly believe it has been one important tool that has helped raise my own teaching to the next level!