

14th Edition

Crafting and Executing Strategy

Text and Readings

Arthur A. Thompson Jr.

A. J. Strickland III

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Fourteenth Edition

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University of Alabama

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To our families and especially our wives: Hasseline, Kitty, and Debra

about the | authors



Arthur A. Thompson, Jr., earned his BS and PhD degrees in economics from the University of Tennessee in 1961 and 1965, respectively; spent three years on the economics faculty at Virginia Tech; and served on the faculty of the University of Alabama's College of Commerce and Business Administration for 24 years. In 1974 and again in 1982, Dr. Thompson spent semester-long sabbaticals as a visiting scholar at the Harvard Business School.

His areas of specialization are business strategy, competition and market analysis, and the economics of business enterprises. He has published over 30 articles in some 25 different professional and trade publications and has authored or co-authored five textbooks and four computer-based simulation exercises.

Dr. Thompson is a frequent speaker and consultant on the strategic issues confronting the electric utility industry, particularly as concerns the challenges posed by industry restructuring, re-regulation, competition, and customers' freedom of choice. He spends much of his off-campus time giving presentations to electric utility groups and conducting management development programs for electric utility executives all over the world.

Dr. Thompson and his wife of 43 years have two daughters, two grandchildren, and a Yorkshire terrier.



Dr. A. J. (Lonnie) Strickland, a native of North Georgia, attended the University of Georgia, where he received a bachelor of science degree in math and physics in 1965. Afterward he entered the Georgia Institute of Technology, where he received a master of science in industrial management. He earned a PhD in business administration from Georgia State University in 1969. He currently holds the title of Professor of Strategic Management in the Graduate School of Business at the University of Alabama.

Dr. Strickland's experience in consulting and executive development is in the strategic management area, with a concentration in industry and competitive analysis. He has developed strategic planning systems for such firms as the Southern Company, BellSouth, South Central Bell, American Telephone and Telegraph, Gulf States Paper, Carraway Methodist Medical Center, Delco Remy, Mark IV Industries, Amoco Oil Company, USA Group, General Motors, and Kimberly Clark Corporation (Medical Products). He is a very popular speaker on the subject of implementing strategic change and serves on several corporate boards.

He has served as director of marketing for BellSouth, where he had responsibility for \$1 billion in revenues and \$300 million in profits.

In the international arena, Dr. Strickland has done extensive work in Europe, the Middle East, Central America, Malaysia, Australia, and Africa. In France he developed a management simulation of corporate decision making that enables management to test various strategic alternatives.

In the area of research, he is the author of 15 books and texts. His management simulations, Tempomatic IV and Micromatic, were pioneering innovations that enjoyed prominent market success for two decades.

Recent awards for Dr. Strickland include the Outstanding Professor Award for the Graduate School of Business and the Outstanding Commitment to Teaching Award for the University of Alabama, in which he takes particular pride. He is a member of various honor leadership societies: Mortar Board, Order of Omega, Beta Gamma Sigma, Omicron Delta Kappa, and Jasons. He is past national president of Pi Kappa Phi social fraternity.

John E. Gamble is currently Chairman of the Department of Management and Associate Professor of Management in the Mitchell College of Business at The University of South Alabama. His teaching specialty at USA is strategic management and he also conducts a course in strategic management in Germany through a collaborative MBA program sponsored by the University of Applied Sciences in Ludwigshafen/Worms, the State of Rhineland Westphalia, and the University of South Alabama.

Dr. Gamble's research interests center on strategic issues in entrepreneurial, health care, and manufacturing settings. His work has been published in such scholarly journals as *Journal of Business Venturing*, *Journal of Labor Research*, *Health Care Management Review*, and *Labor Studies Journal*. He is the author or co-author of more than 20 case studies published in various strategic management and strategic marketing texts. He has done consulting on industry and market analysis and strategy formulation and implementation issues with clients in public utilities, technology, non-profit, and entrepreneurial businesses.

Professor Gamble received his Ph.D. in management from the University of Alabama in 1995. Dr. Gamble also has a Bachelor of Science degree and a Master of Arts degree from The University of Alabama.



the|preface

The new face we've put on this edition includes a modified chapter organization, streamlined chapter presentations, more coverage of some topics and less coverage of others, an all-new and very timely chapter: "Strategy, Ethics, and Social Responsibility," and a completely new set of the latest and best companion readings that we could find. Yet, the fundamental character that has driven the text's success over the years remains firmly intact. The treatment of basic concepts and analytical tools is solidly mainstream, very much in step with both theory and practice, and laced with a host of current examples. And we've prepared a comprehensive package of support materials that truly work in the classroom and that provide maximum flexibility in custom-tailoring a course to particular needs and preferences.

The objective of this text is to effectively and interestingly cover what every senior-level or MBA student needs to know about crafting and executing business strategies. It features a *streamlined* and *substantive* 13-chapter presentation of core concepts and analytical techniques and a collection of 23 readable and quite current readings that amplify important topics in managing a company's strategy-making, strategy-executing process. This book is particularly suited for courses where the instructor wishes to provide students with a foundation in the core concepts and analytical tools of strategic management and an introduction to the literature of strategic management. It is very suitable for use with the instructor's customized set of cases and/or a simulation exercise such as the new online edition of *The Business Strategy Game* or the new online edition of *GLO-BUS*, both of which are excellent fits with the 13 chapters of text in the book.

In developing this edition, we have attempted to put together a text that (1) is sufficiently comprehensive in its coverage of important concepts and analytical tools, (2) has a desirable degree of depth and substance, (3) is flush with convincing examples of strategy in action, (4) maintains a straightforward, integrated flow from one chapter to the next, (5) makes the discipline of business strategy relevant and professionally interesting to students, and (6) provides students with a representative selection of relevant articles from the literature of strategic management.

ORGANIZATION, CONTENT, AND FEATURES OF THE TEXT CHAPTERS

The 13 chapters in this edition reflect not only the normal updating and shifts in topical emphasis and coverage but also a modestly different organization of chapters and topics. There's a much overhauled two-chapter introduction to the concept of strategy and the managerial process of crafting and executing strategy. Chapters 3 and 4 lay out the concepts and tools of analyzing a company's external environment and internal resources and capabilities. There is a four-chapter module on a single-business company's strategy alternatives and a single chapter (condensed from two chapters in prior editions) covering multibusiness diversification. The chapter on Internet strategy that was a prominent feature in the 12th and 13th editions has been dropped; now that Internet technology and use

of the Internet have become standard strategy components at most all companies worldwide, we think Internet strategy no longer justifies separate chapter-length treatment. However, the material in this deleted chapter that continues to be relevant has been included as a prominent part of Chapters 3, 4, and 6. The all-new Chapter 10, “Strategy, Ethics and Social Responsibility,” fills a much-needed gap in coverage and can be assigned at any of several places in the course. We continue with our three-chapter coverage of what managerial actions underlie effective strategy execution.

In all 13 chapters, we have diligently kept the presentations aligned with latest developments in the theory and practice of strategic management. The chapter discussions mirror the growing scope and strategic importance of collaborative alliances, the continuing march of industries and companies to wider globalization, the spread of high-velocity change to more industries and company environments, how implementation of Internet technology applications in companies all across the world is driving fundamental changes in both strategy and internal operations, and the heightened imperatives of linking strategy and operating practices to what is ethically and socially acceptable. Much is made of the need to match a company’s strategy *both* to its external market circumstances and to its internal resources and competitive capabilities. The resource-based view of the firm is prominently integrated into the discussion of crafting both single-business and multibusiness strategies. The three-chapter module on executing strategy embraces a strong resource-based perspective, stressing the importance of intellectual capital, core competencies, and competitive capabilities.

The following rundown summarizes the noteworthy chapter features and topical emphasis in this edition:

- Chapter 1 has been extensively rewritten and revised to focus on the central questions of “What is strategy?” and “Why is it important?” It defines what is meant by the term *strategy* and describes the identifying elements of a company’s strategy, why a company’s strategy tends to change and evolve over time, why a company’s strategy is partly planned and partly reactive, and why management efforts to craft a company’s strategy entail a quest for competitive advantage. In addition, there are sections discussing the importance of ethical considerations in crafting strategy, how a company’s strategy relates to its “business model,” and why good strategy + good strategy execution = good management. The role of this first chapter is to give readers a solid grasp of what the term *strategy* means, pique their interest, and convince them that the ins and outs of crafting and executing a winning strategy are things every business student should know. We intend for this chapter to be a perfect accompaniment for a first day’s lecture on what the course is all about and why it matters.
- Chapter 2 delves into the managerial process of actually crafting and executing a strategy—it makes a great assignment for the second day of class. This chapter is structured around the five-step managerial process of crafting and executing strategy: (1) forming a strategic vision of where the company is headed and why, (2) setting objectives and performance targets that measure the company’s progress, (3) crafting a strategy to achieve these targets and move the company toward its market destination, (4) implementing and executing the strategy, and (5) monitoring progress and making corrective adjustments as needed. This chapter is also introductory in nature and presents such core concepts as strategic visions and business missions, strategic versus financial objectives, strategic plans, and strategic intent. There’s a section underscoring that a company’s strategic plan is a collection of strategies devised by different managers at different levels in the

organizational hierarchy. We've taken pains to explain why *all managers are on a company's strategy-making, strategy-executing team*, why managers are well advised to make the concepts and techniques of strategic management a basic part of their toolkit, and why the best companies want their personnel to be true "students of the business." The chapter winds up with a section on corporate governance.

- Chapter 3 presents the now-standard tools of industry and competitive analysis and makes a case for why it is important for management to tailor strategy to fit the circumstances of a company's industry and competitive environment. The standout feature of this chapter is a dramatically enhanced and more visual presentation of Michael E. Porter's five-forces model of competition—we think it is the clearest, most compelling five-forces model discussion of any text in the field. Globalization and Internet technology are treated as potent driving forces capable of reshaping industry competition—their roles as change agents have become factors that most companies in most industries must reckon with in forging winning strategies.
- Chapter 4 establishes the equal importance of doing solid company situation analysis as a basis for matching strategy to organizational resources, competencies, and competitive capabilities. The roles of core competencies and organizational resources and capabilities in creating customer value and helping build competitive advantage are *center stage* in the discussions of company resource strengths and weaknesses. SWOT analysis is cast as a simple, easy-to-use way to assess a company's resources and overall situation. There is solid coverage of the now-standard tools of value chain analysis, benchmarking, and competitive strength assessments—all of which, we believe, provide insight into a company's relative cost position and market standing vis-à-vis rivals. There's solid coverage of how company implementation of Internet technology applications is altering company and industry value chains and the performance of particular value chain activities.
- Chapter 5 deals with a company's quest for competitive advantage and is framed around the five generic competitive strategies: low-cost leadership, differentiation, best-cost provider, focused differentiation, and focused low-cost.
- Chapter 6 extends the coverage of the previous chapter and deals with what *other strategic actions* a company can take to complement its choice of a basic competitive strategy. The chapter features sections on what use to make of strategic alliances and collaborative partnerships; what use to make of mergers and acquisitions in strengthening the company's competitiveness; when to integrate backward or forward into more stages of the industry value chain; the merits of outsourcing certain value chain activities from outside specialists; whether and when to employ offensive and defensive moves; and the different ways a company can use the Internet as a distribution channel to position itself in the marketplace.
- Chapter 7 explores a company's strategy options for expanding beyond its domestic boundary and competing in the markets of either a few or a great many countries—options ranging from an export strategy to licensing and franchising to multicountry strategies to global strategies to heavy reliance on strategic alliances and joint ventures. Four strategic issues unique to competing multinationally are given special attention: (1) whether to customize the company's offerings in each different country market to match the tastes and preferences of local buyers or whether to offer a mostly standardized product worldwide; (2) whether to employ essentially the same basic competitive strategy in the markets of all countries where it operates or whether to modify the company's competitive approach country-by-country as may be needed to fit the specific market conditions and competitive

circumstances it encounters; (3) locating production facilities, distribution centers, and customer service operations to maximum competitive advantage; and (4) efficient cross-border transfer of a company's resource strengths and capabilities to build competitive advantage. There's also coverage of concepts of profit sanctuaries and cross-market subsidization, the special problems associated with entry into the markets of emerging countries; and strategies that local companies in such emerging countries as India, China, Brazil, and Mexico can use to defend against the invasion of opportunity-seeking, resource-rich global giants.

- Chapter 8 looks at the broad strategy options for companies competing in five different industry environments: (1) emerging industries of the future; (2) turbulent high velocity markets; (3) mature, slow-growth industries; (4) stagnant and declining industries; and (5) fragmented industries. And it covers the strategy-making challenges that confront companies pursuing rapid growth, companies in industry-leading positions, companies in runner-up positions, and crisis-ridden companies. These nine situations merit special attention in strategy courses because of their widely representative nature and because they reinforce the points made in Chapters 3 and 4 that winning strategies have to be matched both to industry and competitive conditions and to company resources and capabilities.
- In this edition we have combined our two-chapter treatment of diversification into a single streamlined but meaty chapter. The treatment of diversification strategies for multibusiness enterprises in Chapter 9 begins by laying out the various paths for becoming diversified, explains how a company can use diversification to create or compound competitive advantage for its business units, and examines the strategic options an already-diversified company has to improve its overall performance. In the middle part of the chapter, the analytical spotlight is on the techniques and procedures for assessing the strategic attractiveness of a diversified company's business portfolio—the relative attractiveness of the various businesses the company has diversified into, a multi-industry company's competitive strength in each of its lines of business, and the *strategic fits* and *resource fits* among a diversified company's different businesses. The chapter concludes with a brief survey of a company's four main postdiversification strategy alternatives: (1) broadening the diversification base, (2) divesting some businesses and retrenching to a narrower diversification base, (3) restructuring the makeup of the company's business lineup, and (4) multinational diversification.
- The hallmark of Chapter 10 is a treatment of whether and why a company's strategy should pass the test of moral scrutiny. Students usually acknowledge that a company and its personnel have a legal duty to obey the law and play by the rules of fair competition. But today's students seem to be much less clear on (1) whether a company has a *duty* to operate according to the ethical norms of the societies in which it operates and (2) whether a company has a *duty* or *obligation* to contribute to the betterment of society independent of the needs and preferences of the customers it serves. Is it in the best interests of shareholders for a company to operate ethically and/or to operate in a socially responsible manner? The focus of this chapter is to examine what link, if any, there should be between a company's efforts to craft and execute a winning strategy and its duties to (a) conduct its activities in an ethical manner and (b) demonstrate socially responsible behavior by being a committed corporate citizen and attending to the needs of nonowner stakeholders—employees, the communities in which it operates, the disadvantaged, and society as a whole. The content of this chapter reflects the very latest in the literature and contains a

section on moral, immoral, and amoral managerial behavior, a section addressing “the business of business is business, not ethics” kind of thinking, a section on the concept of social responsibility, and sections that explore the business case for ethical and socially responsible behavior. The chapter has been written as a stand-alone chapter that can be assigned in the early, middle, or late part of the course.

- The three-chapter module on executing strategy (Chapters 11–13) is anchored around a pragmatic, compelling conceptual framework: (1) building the resource strengths and organizational capabilities needed to execute the strategy in competent fashion; (2) allocating ample resources to strategy-critical activities; (3) ensuring that policies and procedures facilitate rather than impede strategy execution; (4) instituting best practices and pushing for continuous improvement in how value chain activities are performed; (5) installing information and operating systems that enable company personnel to better carry out their strategic roles proficiently; (6) tying rewards and incentives directly to the achievement of performance targets and good strategy execution; (7) shaping the work environment and corporate culture to fit the strategy; and (8) exerting the internal leadership needed to drive execution forward. The recurring theme of these three chapters is that executing strategy entails figuring out the specific actions, behaviors, and conditions that are needed for a smooth strategy-supportive operation and then following through to get things done and deliver results—the goal here is to ensure that students understand the strategy-implementing/strategy-executing phase is a make-things-happen and make-them-happen-right kind of managerial exercise.

Our top priority has been to ensure that the 13 chapters of text hit the bull’s-eye with respect to content and represent the best thinking of both academics and practitioners. We have strived to incorporate all relevant state-of-the-art research that is pertinent in a senior/MBA course in strategy. At the same time, we’ve endeavored to stay on message with clear, crisp explanations that cut straight to the chase yet are lengthy enough to make them understandable and usable, the rationale being that shallow explanations of concepts and analytical tools carry little punch and have little pedagogical value. All the chapters contain enough relevant examples to make the presentation convincing, pertinent, and worthwhile to readers preparing for careers in management and business. The boxed Illustration Capsules in each chapter relate stories aimed at both informing students and persuading them that the discipline of strategy merits their rapt attention. We believe our enthusiasm for and dedication to the subject matter will come across to readers.

THE COLLECTION OF READINGS

In selecting a set of readings to accompany the chapter presentations, we opted for readings that (1) were current (most appeared in 2002 and 2003), (2) extended the chapter coverage and expanded on a topic of strategic importance, and (3) were quite readable and relatively short. At the same time, we endeavored to be highly selective, deciding that a manageable number of on-target readings fit better with the teaching/learning objectives of most senior and MBA courses in strategy than a more sweeping collection. The 23 readings we chose came from recent issues of the *Business Strategy Review*, *Harvard Business Review*, *MIT Sloan Management Review*, *Business Horizons*, *California Management Review*, *Business and Society Review*, *Journal of Business Strategy*, and *Ivey Business Journal*.

Aside from providing an introductory look at the literature of strategic management literature, the readings offer nice variety. For instance, Constantos Markides article on *Strategy as Balance* deals with some passionately argued differences on the content and process of developing strategy. Rosabeth Moss Kanter's essay on *Strategy as Improvisational Theater* describes how the companies that want to outpace the competition throw out the script and improvise their way to new strategies. The article by Olsen and Slater explores why the balanced scorecard approach to measuring performance has struck a chord with practicing managers. All three of these articles are a perfect accompaniment to the material covered in Chapters 1 and 2.

A second group of readings is quite suitable for use with Chapters 4 through 8. The Miller, Eisenstat, and Foote article highlights the importance of a company's capabilities in building strategy from the inside out. Richard D'Aveni's recent HBR article on *The Empire Strikes Back: Counterrevolutionary Strategies for Industry Leaders* is a perfect accompaniment and follow-on to the section in Chapter 8 on *Strategies for Industry Leaders*. Yoffie and Kwak's intriguing article on *Mastering Balance: How to Meet and Beat a Stronger Opponent* helps students appreciate the strategy-making challenges of industry newcomers and ambitious runner-up companies that want to join the ranks of the industry leaders—this article works well with either Chapter 6 or Chapter 8. Pankaj Ghemawat's HBR article, *The Forgotten Strategy*, takes a second look at how multinational companies can employ strategies that exploit the differences between country markets as opposed to minimizing them—this article is a perfect fit with the strategic issues presented in Chapter 7. The lineup of articles on crafting strategy also includes one on the surprising resilience of vertical integration strategies and two on strategic alliances and strategic partnerships—all three can be used to complement the coverage in Chapter 6.

We've included two articles that expand on the treatment of diversification strategies. Zook and Allen's article makes a case for why successfully expanding into adjacent markets possessing strategic fits is harder than it sounds. The Gopinath article provides additional insight into why acquisitions aimed at broadening a company business base can go awry.

To expand on our coverage of the managerial challenges of proficient strategy execution in Chapters 11–13, we have included a group of six readings. The Freedman article, *The Genius Is in the Implementation*, explains why effective strategy execution entails discipline, commitment, creativity, leadership, and superior execution skills. The Zagotta and Robinson article, *Keys to Successful Execution*, offers a different take on the framework for executing strategy than the one we present in Chapter 11. Jonas Ridderstråle's article, *Cashing in on Corporate Competencies*, provides more in-depth discussion of the importance of intellectual capital and knowledge management in the strategy execution process. Barthélemy's article, *The Seven Deadly Sins of Outsourcing*, acknowledges that outsourcing is a powerful tool to cut costs, improve performance, and refocus on the core business, but then goes on to explain why it can deliver results that fall short of expectations. The Gupta and Govindarajan article, *Cultivating a Global Mindset*, stresses that a company's success in competing in foreign markets depends crucially on how keenly company personnel observe and interpret heterogeneity across cultures and markets; they do a splendid job of explaining what actions a company can take to integrate diverse knowledge bases and tap into the diverse perspectives of company personnel representing different nationalities. The Chatman and Cha article, *Leading by Leveraging Culture*, makes a solid case for why actively managing a company's culture increases the likelihood of good strategy execution and good overall performance; it should be assigned in conjunction with Chapter 13.

The final group of five articles deals with the linkages among strategy, business ethics, social responsibility, and corporate governance. All four are appropriate for use with Chapter 10 or can be used in conjunction with your coverage of Chapters 1, 2, and 13. The Skrabec article makes a persuasive case for why it is profitable for companies to play by the rules—a case which is also made in lesser depth in Chapter 10. The Johnson article reviews data and explores the ins and outs of whether socially irresponsible companies are hurt financially by their actions and whether socially responsible action on the part of companies offers any performance advantages—this issue, too, is explored in Chapter 10 and the Johnson article provides additional information and arguments for students to consider. The Wilson article, *Corporate Sustainability: What Is It and Where Does It Come From?*, provides a useful look at a topic that is receiving increasing attention both in the literature and in business circles—corporate sustainability is an evolving concept that some companies are adopting as an alternative to the traditional growth and profit-maximization model. The last two articles in the readings collection deal with corporate governance. The Smith article provides a valuable and interesting essay on whether companies should seek only to maximize shareholder value or strive to serve the often conflicting interests of all stakeholders. John Carver's article, *What Continues to Be Wrong with Corporate Governance . . . And How to Fix It*, provides considerable food for thought on further reforming corporate governance apart from what has already been instituted.

If you like, as a regular practice, to include articles from current journals in your course syllabus, we think you'll find the 23 readings in this edition quite worthy of consideration.

TWO ACCOMPANYING ONLINE, FULLY-AUTOMATED SIMULATION EXERCISES—*THE BUSINESS STRATEGY GAME AND GLO-BUS*

The Business Strategy Game (the new online 8th edition) and *GLO-BUS: Developing Winning Competitive Strategies*, two strategy-related simulations that are delivered online and processed automatically, are being marketed by the publisher as companion supplements for use with this and other texts in the field. *The Business Strategy Game* is the world's leading strategy simulation, having been played by well over 350,000 students, and the new online 8th edition, www.bsg-online.com, is far and away the best and the simplest to administer of any previous version. *GLO-BUS*, a somewhat less complicated online simulation that was introduced in the fall of 2003, has been favorably received (having been played by some 6,000 students in over 100 sections) and is equally suitable for courses in business strategy. Table 1 provides a comparison of the industry and competitive features of *BSG Online* and *GLO-BUS*.

Both simulations have attractive operating and administrative characteristics that make them a breeze to use in giving students valuable practice in thinking strategically and applying basic strategy concepts and analytical tools:

- Both students and instructors have *anytime, anywhere* access on PCs connected to the Internet and loaded with Internet Explorer and Microsoft Excel (2000, XP, or 2003 versions), a delivery format that is perfect for either on-campus classes or distance learning.

table 1 A Comparison of GLO-BUS versus The Business Strategy Game

	<i>GLO-BUS</i>	<i>The Business Strategy Game</i>
Industry setting	Digital camera industry	Athletic footwear industry
Market scope	Worldwide. Production occurs at a single plant in Taiwan and sales are made to retailers in 4 regions: North America, Latin America, Europe-Africa, and Asia Pacific	Worldwide. Both production and sales activities can be pursued in North America, Latin America, Europe-Africa, and Asia Pacific
Number of market segments	A total of 8—4 geographic segments for entry-level cameras and 4 geographic segments for multifeatured cameras	A total of 12—4 geographic segments each for branded footwear sales to retailers, for online footwear sales direct to consumers, and for private-label sales to multistore retailers
Number of decision variables	<ul style="list-style-type: none"> ● Character and performance of the camera line (10 decisions) ● Production operations and worker compensation (15 decisions) ● Pricing and marketing (15 decisions in 4 geographic regions) ● Financing of company operations (4 decisions) 	<ul style="list-style-type: none"> ● Production operations and worker compensation (16 decisions each plant, with a maximum of 4 plants) ● Shipping (up to 8 decisions each plant) ● Pricing and marketing (13 decisions in 4 geographic regions) ● Financing of company operations (5 decisions)
Competitive variables used to determine market share (All sales and market share differences are the result of differing competitive efforts among rival companies)	<ul style="list-style-type: none"> ● Price ● Performance/quality rating ● Number of quarterly sales promotions ● Length of promotions in weeks ● Promotional discounts ● Advertising ● Number of camera models ● Size of dealer network ● Warranty period ● Technical support 	<ul style="list-style-type: none"> ● Price ● Number of models/styles ● Styling/quality rating ● Advertising ● Size of retailer network ● Celebrity endorsements ● Delivery time ● Retailer support ● Mail-in rebates ● Shipping charges (Internet sales only)
Time frame of decisions	One year, with an option to update as many as 8 of the 44 decisions quarterly	One year
Strategy options (Which options deliver the best performance hinges on the interaction and competitive strength of the strategies employed by rival companies—not on “silver bullet” decision combinations that players are challenged to discover.)	Companies can pursue competitive advantage based on (a) low-cost or differentiation, (b) competing globally or in select segments, and (c) using largely the same strategy across all regions or strategies that are tailored to conditions in each market segment.	Companies have the widest possible strategy-making latitude—striving for competitive advantage based on (a) low cost or differentiation, (b) competing globally or in select segments, and (c) using largely the same strategy across all regions or strategies that are tailored to conditions in each market segment.

(continues)

table 1 (concluded)

	<i>GLO-BUS</i>	<i>The Business Strategy Game</i>
Degree of complexity	<ul style="list-style-type: none"> • <i>GLO-BUS</i> Basic (easy to moderate) • <i>GLO-BUS</i> Plus (easy to moderate) • <i>GLO-BUS</i> Total (medium) <p>Less complex than <i>BSG</i> because all production is in a single plant, there are no finished goods inventories (newly assembled cameras are built to order and shipped directly to retailers), and sales forecasting is simpler</p>	<p>More complex than <i>GLO-BUS</i> because companies can operate up to four plants, there are 12 market segments (as compared to 8 in <i>GLO-BUS</i>), finished goods inventories have to be managed at four distribution centers, and players have to develop a sales forecast based on their competitive strategy and the expected competitive efforts of rivals</p>
Time required to make a complete decision	<p>About 1.5 hours per decision (once players gain familiarity with software and reports). <i>GLO-BUS</i> Plus requires about 10 minutes more than <i>GLO-BUS</i> Basic per decision and <i>GLO-BUS</i> Total can entail up to 30 minutes of additional time per decision</p>	<p>2 to 2.5 hours per decision (once players gain familiarity with software and reports)</p>

- Time requirements for instructors to administer the simulations are minimal. Instructors must go through Industry Setup and specify a decision schedule and desired scoring weights (which can be altered later). Setting up the simulation for your course is done online and takes about 10–15 minutes. Once setup is completed, no other administrative actions are required beyond that of moving participants to a different team (should the need arise) and monitoring the progress of the simulation (to whatever extent desired). Instructors who wish to do so can track happenings in the simulation by printing copies of the Industry and Company reports (done online), change selected costs and rates to introduce different operating conditions (players are automatically notified of any changes if instructors so choose), and serve as a consultant to troubled companies.
- There's no software for students or administrators to download and no disks to fool with. When participants log on to the Web site, the needed programming and company data is automatically transferred into Excel on the user's PC for the duration of the session and then automatically saved and uploaded back to the server on exit. All work must be done online and the speed for participants using dial-up modems is quite satisfactory.
- The results of each decision are processed automatically on the simulation's server and made available to all participants *within 1 hour following the decision deadline* specified by the instructor/game administrator. There is a state-of-the-art server dedicated to the simulation; the server has ample back-up capability and is maintained by a highly reliable web-hosting service that guarantees 99.9 percent reliability on a 24/7 basis.
- Participants and instructors are notified via e-mail when the results are ready; the e-mail contains highlights of the results.
- Decision schedules are determined by the instructor (done online and automatically communicated to all players). Decisions can be made once a week, twice a week, or even twice daily, depending on how instructors want to conduct the exercise). One popular decision schedule involves 1 or 2 practice decisions, 6–10 regular decisions,

and decisions made once a week across the whole term. A second popular schedule is 1 or 2 practice decisions, 6–8 regular decisions, and biweekly decisions, all made during the last four or five weeks of the course (when it can be assumed that students have pretty much digested the contents of Chapters 1–8, gotten somewhat comfortable with what is involved in crafting strategy for a single-business company situation, and prepared several assigned cases.

- Instructors have the flexibility to prescribe 0, 1, or 2 practice decisions and from 3 to 10 regular decisions.
- Company teams can be composed of 1 to 5 players each and the number of teams in a single industry can range from 4 to 12. If your class size is too large for a single industry, then it is a simple matter to create two or more industries for a single class section. You'll find that having more than one industry per class presents no significant change in administrative requirements, because everything is processed automatically and all company and individual performances are automatically recorded in your online grade book. Thus it turns out not to be an extra administrative burden to divide a large class into two or more industries.
- Participant's Guides are delivered at the Web site—students can read it on their monitors or print out a copy, as they prefer. The Player's Guide for *The Business Strategy Game* is 32 pages, and the Participant's Guide for *GLO-BUS* is 25 pages. There are built-in help screens and on-screen information that provide students with the instructions and information needed to guide them to enter wise decisions. Students make all decisions online and access all the results online. Both participants and instructors utilize www.bsg-online.com to conduct all activities for *The Business Strategy Game*. All activity for *GLO-BUS* occurs at www.glo-bus.com.
- Following each decision, participants are provided with a complete set of reports—a six-page Industry Report, a one-page Competitive Intelligence report for each geographic region that includes strategic group maps and bulleted lists of competitive strengths and weaknesses, and a set of Company Reports (income statement, balance sheet, cash flow statement, and assorted production, marketing, and cost statistics).
- There are extensive built-in "Help" screens explaining (a) each decision entry, (b) the information on each page of the Industry Reports, and (c) the numbers presented in the Company Reports. The Help screens allow company co-managers to figure things out for themselves, thereby curbing the need for students to always run to the instructor with questions about how things work.
- Two open-book multiple-choice tests of 20 questions (optional, but strongly recommended) are included as part of each of the two simulations. The quizzes are taken online and automatically graded, with scores reported instantaneously to participants and automatically recorded in instructor's electronic grade book. Quiz 1 has a time limit of 45 minutes and covers contents of the Participant's Guide. Quiz 2 has a time limit of 75 minutes and checks whether players understand what the numbers in the company reports mean and how they are calculated. Students are automatically provided with three sample questions for each test.
- At the end of the simulation exercises, there are peer evaluations that instructors can have students complete. The peer evaluations are optional but strongly recommended; they are completed online and automatically recorded in instructor's electronic grade book. Results can be reviewed by clicking on each co-manager's peer scores in grade book.

All three coauthors of this book are avid longtime simulation users. Our own experiences, together with numerous discussions with colleagues around the world, have convinced us that competition-based simulation games are *the single most effective, most stimulating exercise available* for giving students valuable practice in being active strategic thinkers and in reading the signs of industry change, reacting to the moves of competitors, evaluating strengths and weaknesses in their company's competitive position, and deciding what to do to improve a company's financial performance. We see two big reasons why simulations like *The Business Strategy Game* and *GLO-BUS* are rapidly growing in popularity and merit a place in today's strategy courses:

- Both simulations were carefully designed to connect directly to the chapter material and give students the experience of putting what they read in the chapters into play. Moreover, instructors have opportunity after opportunity to draw upon the industry and company circumstances in the simulation for examples to use in lectures on the text chapters—examples that all students in the class can relate to because of their personal experience in running their companies.
- The market and competitive dynamics of an industry simulation—which makes the simulation a “live case” in which class members are active managerial participants—force class members to wrestle with charting a long-term direction for their company, setting strategic and financial objectives, and crafting strategies that produce good results and perhaps lead to competitive advantage. In both *The Business Strategy Game* and *GLO-BUS*, students are provided with strategic group maps and lists of competitive strengths and weaknesses, as well as an assortment of benchmarks and comparative financial statistics, allowing them to diagnose their company's market standing and decide on a course of action to improve it. And by having to live with the decisions they make, players experience what it means to be accountable for their decisions and achieving satisfactory results. All this serves to drill students in responsible decision making and to improve their business acumen and managerial judgment.

To learn more about these two simulations, please visit www.bsg-online.com or www.glo-bus.com and browse the wealth of information about *The Business Strategy Game* or *GLO-BUS* that is at your fingertips. There is a “Guided Tour” link on each of the Web sites that provides a quick bird's-eye view and takes about 5 minutes—enough to determine whether there's sufficient interest on your part to explore further. If you call the senior author of this text at (205) 348-8923, the simulation authors will be glad to provide you with a personal tour of either or both websites (while you are on your PC) and walk you through the many features that are built into the simulations.

INSTRUCTOR SUPPORT MATERIALS

Resources for Assembling a Set of Custom Cases

Utilizing the capabilities of McGraw-Hill's Primis division, instructors can go online to www.mhhe.com/primis, browse the cases that have appeared in our last four editions (as well as other sources), and quickly assemble a customized collection of cases that can be delivered in either printed copy or e-book form. Teaching notes for all these cases are available.