

Crafting and Executing Strategy

Text and Readings



Twelfth Edition



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Thompson | Strickland

Crafting and Executing Strategy

Text and Readings

Arthur A. Thompson, Jr.
A. J. Strickland III
Both of the University of Alabama

Twelfth Edition



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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 39 years have two daughters, two grandchildren, and two dogs.

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.

the | preface

The objective of the 12th edition of *Crafting and Executing Strategy: Text and Readings* is to effectively and engagingly cover what every senior-level or MBA student needs to know about crafting and executing business strategies. The package features new chapters, new sections, new concepts, new readings, a new e-case collection of nearly 60 proven cases, and companion courseware.

The hallmark of this edition is thorough coverage of the seismic strategy-related changes in the business landscape being driven by globalization, the Internet, and dot-com companies. We've added two important new chapters—one on strategy making in global markets and one on business models and strategies for e-commerce. The remaining chapters have also been “globalized” and “e-commerced” as well as being infused with new material on business models, collaborative alliances with suppliers and customers, supply chain management, corporate intrapreneuring, growth strategies, mergers and acquisitions, high-velocity market environments, the growing importance of intellectual capital, the latest contributions to the resource-based view of the firm, and a modified five-forces model of competition that embraces the growing role of strategic partnerships with both suppliers and buyers. There's greater use of examples and Illustration Capsules to bridge the gap between academic concepts and real-world application. The result is a significantly reshaped chapter content to accompany the collection of 22 recently published readings.

At the same time, we have tried to do our level best to satisfy the market's legitimate yearning for a *comprehensive* and *multifaceted* teaching/learning package that squarely targets what every student needs to know about crafting and executing business strategies. To complement the 13 chapters of text material and the 22 readings that comprise the 12th edition, we've created a number of options you may find appealing:

- An e-learning center at the Web site for the text that contains nearly 60 high-caliber e-cases that instructors can select for case assignments. Students can use a credit card to purchase assigned cases in the e-collection at the Web site for the text (www.mhhe.com/thompson); all cases are available immediately in the form of a downloadable file. Students can either use the downloaded e-case file to print a copy for their personal use or read the case directly on the monitor.
- A Concept-TUTOR courseware supplement consisting of a series of self-tests which students can use to gauge their comprehension of the material in the 13 chapters.
- Custom-designed case preparation guides for about 25 of the cases in the e-learning center that walk students through the appropriate analysis and help them arrive at soundly reasoned action recommendations. Each of these study guides is tailored to fit the specific issues and problems posed by the case. Each exercise contains study questions for the case, a series of interactive screens organized around the study questions that coach students

in the use of whatever analytical tools are appropriate, number-crunching assistance in performing calculations related to the analysis, and what-if exercises (where appropriate), and the capability to make printouts of the work done.

- A much more extensive website for the text built around the latest in e-learning and e-publishing technology. The site features a “learning resource center” for students, a “teaching resource center” for instructors, and an e-learning center containing downloadable files of cases and tutorial software.
- A much-enhanced seventh edition of *The Business Strategy Game*—the global simulation that functions as an integrative “strategy-in-action” decision-making exercise for capstone courses in strategic management. The simulation is available in both printed and digital formats and has a built-in e-mail feature for distance-learning situations.
- Nine video supplements for use with corresponding cases in the e-case collection.
- A full array of instructional aids for adopters.

All in all, we think the text/readings enhancements and the companion supplements take this 12th-edition package to a new plateau. This edition is designed to deliver content and teaching/learning options that will help make adopters’ courses in strategic management a more valuable and timely part of the business curriculum than ever before.

CONTENT FEATURES OF THE 13 CHAPTERS

Much of significance has transpired since the last edition, demanding substantive adjustments and revisions in treatment and emphasis, in addition to normal updating. New concepts, analytical tools, and methods of managing continue to surface at rates that mandate important edition-to-edition changes in the content and emphasis of the chapters. Since the last revision, use of the term *business model* has come into widespread use, entrepreneurship has taken on renewed strategic importance, collaborative alliances have grown in scope and impact, companies have continued to globalize their operations, the effects of global competition have spread, the resource-based view of the firm has assumed still greater prominence, high-velocity change has affected more industries and company environments, and the Internet has triggered a virtual revolution in both strategy and internal operations. We have made a concerted attempt to address all these developments in the text.

In this edition you’ll find much discussion about business models and how they relate to strategy. We pay considerably more attention to how collaboration and alliances affect competition—indeed, the collaborative efforts between sellers and their suppliers and between sellers and buyers have been woven into our presentation of Harvard professor Michael E. Porter’s five-forces model of competition, thus formally making the role of alliances and cooperative agreements part of competition analysis. We also have devoted more coverage to the demands of competing in high-velocity market environments where the swift pace of change forces companies to make frequent and sometimes very fundamental changes in their strategies and resource capabilities.

This edition gives balanced treatment to the thesis that a company's strategy must be matched *both* to its external market circumstances and to its internal resources and competitive capabilities. The two new chapters on global market environments and strategies in the Internet economy (Chapters 6 and 7) testify to the importance of these topics but you will find that all 13 chapters have been "globalized" and "e-commerced" because the impact of globalization and the Internet on strategy making and strategy implementing is pervasive. You'll find the resource-based view of the firm integrated into the coverage of crafting business strategy (Chapters 2 through 8) and crafting diversification strategies (Chapters 9 and 10). You'll also find that Chapters 11 and 12 have a strong resource-based perspective as concerns the role of intellectual capital, core competencies, competitive capabilities, and organizational resources in executing strategy.

Compared to previous editions, we've made much greater use of examples and Illustration Capsules to highlight the close connection between the conceptual presentation and real-world application. This edition is also considerably more visual, due to the addition of numerous charts and figures, color photographs, and a four-color design. As in previous editions, there's prominent treatment of ethical and social responsibility issues. Extensive rewriting in every chapter has allowed us to include the new material and still cover everything in less than 435 pages—something that readers and adopters ought to welcome, given the jam-packed content of the course.

Specific Chapter Modifications and Content Improvements

The new material on strategies for globalizing market environments has been positioned as Chapter 6, and the new material on business models and strategies for e-commerce market environments immediately follows as Chapter 7. Both chapters were positioned as part of the multichapter series on strategy in single-business companies. Where the role of the Internet and globalization merited coverage in other chapters, we wove the treatment into the content. Otherwise, the overall chapter organization parallels that of the last several editions. The following rundown summarizes the noteworthy chapter features and topical emphasis in this edition:

- Chapter 1 contains fresh material (starting on page 1) on what the term *business model* means and how a company's business model relates to its strategy. To drive home the point that companies' business models sometimes differ quite substantially, we have included an Illustration Capsule that contrasts Microsoft's and Linux's business models in the computer operating system software industry. We've rewritten the sections on strategic visions and mission statements in Chapters 1 and 2 to hammer home the importance of clear direction setting and a motivating strategic vision. More emphasis has been placed on why companies have to rapidly adapt strategy to newly unfolding market conditions and why strategy life cycles are getting shorter. We continue to place strong emphasis on how and why a company's strategy emerges from (1) the deliberate and purposeful actions of management and (2) as-needed reactions to unanticipated developments and competitive pressures. There's a new section on corporate intrapreneuring to help underscore that a company's strategic plan is a collection of

strategies devised by different managers at different levels in the organizational hierarchy. This chapter also contains discussions of why all managers are on a company's strategy-making, strategy-implementing team and why it is imperative for company personnel to be both "students of the business" and skilled users of the concepts and tools of strategic management.

- The five-forces model of competition presented in Chapter 3 has been recast to incorporate the role and importance of alliances and collaborative agreements. We argue that some competitors forge such effective collaborative arrangements with either their suppliers, their customers, or both that the whole pattern of competition in the industry is affected. Furthermore, we have added globalization and the Internet as examples of driving forces capable of reshaping the pattern and structure of industry competition. Chapter 3 sets forth the now-familiar analytical tools and concepts of industry and competitive analysis, and demonstrates the importance of tailoring strategy to fit the circumstances of a company's industry and competitive environment.
- Chapter 4 establishes the importance of solid company situation analysis as a basis for matching strategy to organizational resources, competencies, and competitive capabilities. As in the prior edition, Chapter 4 contains a full-blown discussion of all the concepts and analytical tools required to understand why a company's strategy must be well matched to its internal resources 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 once again recast as a tool for assessing a company's resource strengths and resource weaknesses. As before, there are sections on determining the competitive value of specific company resources and assets and on selecting the competencies and capabilities with the greatest competitive advantage potential. The now-standard tools of value chain analysis, strategic cost analysis, benchmarking, and competitive strength assessments continue to have a prominent role in the method of evaluating a company's situation—we believe they are an essential part of understanding a company's relative cost position and competitive standing vis-à-vis rivals. One new feature of this chapter is a section (undergirded with timely examples and an Illustration Capsule) on how the value chains of dot-com companies differ from those of traditional brick-and-click companies.
- Together, the material in Chapter 3 and Chapter 4 creates the understanding for why managers must carefully match company strategy both to industry and competitive conditions and to company resources and capabilities. Chapter 3 sets forth the tools and concepts of industry and competitive analysis and demonstrates the importance of tailoring strategy to fit the circumstances of a company's industry and competitive environment. 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.
- Chapter 5 focuses on how a company can achieve or defend competitive advantage through strategy and through value chain activities. There's continuing coverage of the five generic competitive strategies; new and more extensive treatments on using alliances and cooperative strategies to build

competitive advantage; a new section on mergers and acquisitions; and new material on how astute use of the Internet and e-commerce technologies is allowing companies to reconfigure their value chains to speed the flow of information, enhance efficiency, and reduce costs.

- Chapter 6 examines the issues companies face in crafting strategies suitable for multinational and globally competitive market environments, drawing a careful distinction between competing internationally and competing globally and exploring the reasons why it often makes good strategic sense for a company to expand beyond domestic boundaries. There's a section on cross-country differences in cultural, demographic, and market conditions that lays the foundation for whether multicountry or global competition exists. The chapter is anchored by a major section describing the various strategy options for entering and competing in foreign markets—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. This chapter introduces the concepts of profit sanctuaries and cross-market subsidization, explores the special problems associated with entry into the markets of emerging countries, and concludes with a section discussing the strategic options 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.
- The all-new Chapter 7 examines the profound impact of the Internet and how it “changes everything.” It covers the whole high-velocity character of the e-commerce environment; presents a bird's-eye view of Internet technology and the structure of what is being called the Internet economy; and explores how the growing use of the Internet by businesses and consumers tends to globalize the economic landscape, alter traditional industry boundaries, reconfigure industry and company value chains, and intensify competition. However, the central focus of this chapter is a thoroughgoing survey of the different business models and strategies that companies can employ in competing in industries where the Internet and e-commerce are ruling forces.
- A substantially revised Chapter 8 looks at the broad strategy options for companies competing in five different industry environments: (1) emerging industries; (2) turbulent, high-velocity markets; (3) mature, slow-growth industries; (4) stagnant and declining industries; and (5) fragmented industries. It also 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 they represent many companies and because they reinforce the point 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.
- The analytical treatment of corporate diversification strategies in Chapters 9 and 10 abandons much of the attention once given to drawing business portfolio matrices and instead puts the spotlight on (1) assessing industry attractiveness, (2) evaluating the company's competitive strength in each of its lines of business, and (3) appraising both the *strategic fits* and the *resource fits* among a diversified company's different businesses. We present a very

strong resource-based view of the firm in the recommended method for evaluating the pros and cons of a company's diversification strategy. Chapter 10 continues to incorporate analytical use of the industry attractiveness/business strength portfolio matrix because of its conceptual soundness and practical relevance, but we have abandoned coverage of the flawed growth-share matrix and the little-used life-cycle matrix.

- The three-chapter module on strategy implementation (Chapters 11–13) continues to feature a solid, compelling conceptual framework structured around (1) building the resource strengths and organizational capabilities needed to execute the strategy; (2) developing budgets to steer ample resources into those value chain activities critical to strategic success; (3) establishing strategically appropriate policies and procedures; (4) instituting best practices and mechanisms for continuous improvement; (5) installing information, communication, and operating systems that enable company personnel to carry out their strategic roles successfully day in and day out; (6) tying rewards and incentives tightly to the achievement of performance objectives and good strategy execution; (7) creating a strategy-supportive work environment and corporate culture; and (8) exerting the internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed.
- The eight-task framework for understanding the managerial components of strategy implementation and execution is explained in the first section of Chapter 11. The remainder of the chapter focuses on building an organization with the competencies, capabilities, and resource strengths needed for successful strategy execution. You'll find coverage of what it takes for an organization to build and enhance its competencies and capabilities, develop the dominating depth in competence-related activities needed for competitive advantage, and forge the necessary degree of collaboration and cooperation both among internal departments and with outside resource providers. We have expanded our treatment of collaborative alliances and partnerships and have placed considerably more emphasis on intellectual capital and the practices companies use to recruit talented employees and develop a first-rate management team. Gone are the treatments of the various organizational structures, since most of this material is now covered in organization behavior and principles of management courses. But there's continuing coverage of the pros and cons of outsourcing noncritical activities, the strategic rationale for downsizing and de-layering hierarchical structures, the merits of employee empowerment, and the use of cross-functional and self-contained work teams. The result is a powerful treatment of building resource capabilities and structuring organizational activities that ties together the revolutionary organizational changes sweeping through today's corporations. So far, the efforts of companies across the world to organize the work effort around teams, reengineer core business processes, compete on organizational capabilities (as much as on differentiated product attributes), and install leaner, flatter organization structures are proving to be durable, fundamental additions to the conventional wisdom about how to manage strategy execution.
- Chapter 12 surveys strategy-supportive budgets, policies, reward structures, and internal support systems and explains why the benchmarking of best practices, total quality management, reengineering, and continuous improvement programs are important managerial tools for enhancing organizational

competencies in executing strategy. Chapter 13 continues to deal with creating a strategy-supportive corporate culture and exercising the internal leadership needed to drive implementation forward. There's coverage of strong versus weak cultures, low-performance and unhealthy cultures, adaptive cultures, and the sustained leadership commitment it takes to change a company with a problem culture. Sections on ethics management and what managers can do to improve the caliber of strategy execution round out the chapter.

- Of the book's 58 Illustration Capsules (versus 41 in the last edition), 42 are new or revised. A substantial number of the new capsules concern global issues and the strategies of non-U.S. companies—these all are designated by a special “global” logo. All thirteen chapters make liberal use of examples and references to the strategic successes and failures of companies—what has worked, what hasn't, and why. Together, the Illustration Capsules and the examples keep the bridge between concept and actual practice always open, giving the reader a stronger feel for how strategic analysis concepts and techniques are used in real-world management circumstances.

Margin notes that highlight basic concepts, major conclusions, and core truths remain a visible and reader-friendly feature of this edition. They distill the subject matter into concise principles, bring the discussion into sharper focus for readers, and emphasize what is important.

At the end of the book, we've included a section called “A Guide to Case Analysis,” which gives students positive direction in what the case method is all about and offers suggestions for approaching case analysis. In our experience, many students are unsure about what they are to do in preparing a case, and they are certainly inexperienced in analyzing a company from a “big picture” or strategic point of view. The discussion is intended to provide explicit guidance and to focus student attention on the traditional analytical sequence of (1) identify, (2) evaluate, and (3) recommend. The presentation includes a table on how to calculate and interpret key financial ratios, a discussion of how to prepare a case for oral class discussion, and guidelines for doing a written case analysis. As in the prior edition, the case analysis guide has a section on how to use the Internet and various online services to (1) do further research on an industry or company, (2) obtain a company's latest financial results, and (3) get updates on what has happened since the case was written. The amount of information available on the Internet is increasing at a rapid-fire pace. We think students will find our list of information-laden Web sites and the accompanying suggestions of how to use the various search engines to be a time-saving and valuable assist in running down the information they need.

A Substantive and On-Target Presentation

Our top priority in preparing this edition was to ensure that the content is substantive and covers all the right bases. But, at the same time, we took pains to meet reader expectations of clarity and crispness. You won't find much fluff or filler. We strove to create conceptual discussions that go straight to the point yet contain enough relevant examples to make them realistic and interesting. We also aimed squarely at chapter presentations that are comfortably mainstream, dead center with respect to content, tightly written and convincing, readable, and representative of the best thinking of both academics and practitioners of strategic management.

THE 22 READINGS SELECTIONS

The readings in this edition are intended to serve three purposes: to add detailed coverage of important, newly published topics; to provide readers with modest exposure to the strategic management literature; and to respond to the requests of users who, as a regular practice, include articles from current journals in their course syllabus. Only 1 of the 22 readings for this edition is a carryover from the last edition; the other 21 were all published since the start of 1998. All of the readings are suitable for MBA students and seniors. Most are reprinted from leading journals; they add in-depth treatment to important topic areas covered in the text and put readers at the cutting edge of academic thinking and research on the subject. A couple of the readings, drawn from practitioner sources, stress how particular tools and concepts relate directly to actual companies and managerial practices.

The first reading, by James C. Collins and Jerry I. Porras, titled “Building Your Company’s Strategic Vision” and first published in the *Harvard Business Review*, provides an outstanding discussion of the ins and outs of arriving at a well-conceived strategic vision and long-term direction. The second article, by Constantinos Markides, discusses the essence of strategy, the imperatives of staying off strategy imitation by undertaking actions to create new strategic positions in the marketplace, and the various ways in which companies can prepare for the unknown. The Markides article makes a powerful case for viewing strategy as dynamic and not static. Article three, by James Moncrief, entitled “Is Strategy Making a Difference?,” addresses three key issues: (1) how strategic intent should be formed, (2) how to align strategic actions and strategic intent, and (3) what firms can do to be more responsive to emerging issues. The fourth article explores the characteristics that managers must exemplify in order to qualify as having the global business savvy and the organizational savvy to manage global companies. Article 5 wrestles with the pros and cons of the “balanced scorecard” approach to setting objectives; the balanced scorecard has emerged in recent years as a strategic tool for driving organizational performance and has received considerable attention in the literature of strategic management. We suggest assigning these first five readings in conjunction with the coverage of Chapters 1 and 2.

We’ve selected 10 readings to accompany our six-chapter coverage of strategic analysis in single-business enterprises. The leadoff article, “Competitive Advantage and Internal Organizational Assessment,” presents a four-stage approach to analyzing a firm’s resource strengths and weaknesses, thus deepening the coverage of SWOT analysis in Chapter 4. Readings 7, 8, and 9 are excellent follow-ons to the resource-based view of the firm presented in Chapter 4. The next article, “Timing—the Bedrock of Anticipatory Management,” presents a case for why companies that can develop the ability to see an opportunity to see an opportunity, dodge obstacles, and accelerate into the fast lane will leave their competitors behind. Allan Afuah’s article, “Strategies to Turn Adversity into Profit,” is an excellent accompaniment to the material in Chapter 8 on turnaround strategy. The article titled “Playing in the Giant’s Field: Strategies for Effectively Competing in the Global Marketplace” works very nicely with the material in Chapter 6. Gabor Garai’s article, “Leveraging the Rewards of Strategic Alliances,” works nicely with both Chapter 5 and Chapter 8. Gary Hamel’s recent *Harvard Business Review* article, “Bringing Silicon Valley Inside,” is must reading—it strongly reinforces the presentation on business models and strategies for e-commerce environments. “Leveraging the Web for Corporate Success” provides additional insight

into the need for company strategies to fully embrace the Internet and the opportunities afforded by e-commerce.

We've included one very important article by David Collis and Cynthia Montgomery first published in the *Harvard Business Review* to complement our discussion of strategic analysis of diversified companies in Chapter 9 and 10. Their article titled "Creating Corporate Advantage" further illuminates the managerial challenge of crafting a corporate strategy capable of making a diversified company worth more than just the sum of its parts—the substance of the article deals with what we think is the foremost issue in corporate diversification.

We chose four readings to complement the three chapters on executing strategy. All concern high-profile topics that are receiving much attention among both researchers and practitioners. The first article, "Creating a Boundaryless Organization," argues that the organizational factors that drove success in much of the 20th century—size, role clarity, specialization, and control—are not the factors that are driving success as we enter the 21st century; Ron Ashkenas maintains that today's drivers of success are speed, flexibility, integration, and innovation. The article by Jeffery Pfeffer and John Veiga, "Putting People First for Organization Success," is a useful complement to the topics in any of the three strategy implementation chapters, but it probably works best when used with Chapters 11 or 12. There's a very valuable article on how management training and development can be used to support the creation of sustainable competitive advantage that does a splendid job of taking the related topics in Chapter 11 to a higher level of relevance and student understanding. The fourth article in the series, "Adding Cultural Fit to Your Diligence Checklist," explains the risk of engaging in mergers and acquisitions where there is a culture clash and details what to look for in whether the cultures of different companies can be melded in workable fashion.

We've included two articles on business ethics that can be used either with the material in Chapter 13 or at other junctures where you want to stress the relationships between strategy and ethics. One article concerns "Five Common Mistakes in Designing and Implementing a Business Ethics Program," while the second explores the special challenge that multinational enterprises face in developing codes of conduct when the countries they operate in have widely varying local standards for what is a permissible and ethical business practice.

All 22 selections are quite readable and, taken together, help put readers at the cutting edge of strategic thinking. All-in-all, this volume offers a solid lineup of recently published articles that can easily be supplemented with a few of the very latest and best journal articles that have appeared since this edition went to press.

THE NEW "E-LEARNING CENTER" AT THE WEBSITE

The "e-learning center" functions as an electronic bookstore where students can use a credit card to purchase and immediately obtain:

- The Concept-TUTOR courseware.
- Downloadable files of nearly 60 cases that require students to draw upon the concepts and tools presented in the text chapters and readings.
- A digitally delivered version of both the Player's Manual and software for *The Business Strategy Game*.

The addition of the e-learning center products is intended to give instructors not only more flexibility and variety in selecting the package of case assignments for their courses but also the advantage of the Internet's speed and economies. Providing materials to students in electronic form is substantially more cost-efficient than providing them in printed form or on disks and CDs. Students can download the desired files directly to the hard disks of their own computers or to floppy disks if they are working in a university PC lab.

Our new e-learning library is a first step in what we suspect will eventually become a universal practice of delivering learning materials via the Internet. We would be delighted for you to share with us any ideas and suggestions for helping the e-learning center concept better meet the needs of both students and instructors.

THE CONCEPT-TUTOR COURSEWARE SUPPLEMENT

Available with this edition of *Crafting and Executing Strategy: Text and Readings* is the Concept-TUTOR software option, which provides students with (1) a 25-question self-test for each text chapter, (2) a 50-question self-exam covering the material in Chapters 1–8, and (3) a 50-question self-exam covering the material in Chapters 9–13. The 13 chapter tests consist of an assortment of true–false, multiple-choice, and fill-in-the-blank questions that thoroughly cover the text presentation. These tests were deliberately made demanding (given their open-book nature) so as to require careful reading and good comprehension of the material. When the student completes each test, Concept-TUTOR automatically grades the answers, provides a test score, records the score in the student's personal grade book, indicates the questions with wrong answers, and directs students to the text pages where the correct answers can be found. Questions incorrectly answered can be attempted as many times as needed to arrive at the right answer. To go a step further in helping students prepare for exams over the 13 chapters, we created a 50-question multiple-choice test for Chapters 1–8 and another for Chapters 9–13 that students can use as practice exams.

Used properly and in conjunction with each other, these tests will provide students with a welcome and effective way to gauge their readiness for the course instructor's own examinations on the 13 chapters. *None of the questions on Concept-TUTOR correspond directly to those on the instructor's test bank. And none of the questions involve any of the 22 readings.*

THE BUSINESS STRATEGY GAME OPTION

An extensively revised and upgraded version of *The Business Strategy Game* makes an interesting and exciting companion to this 12th edition of the textbook.

The mostly new seventh-generation version of *The Business Strategy Game* has a raft of features that we think users will find appealing and that take the simulation to a much-higher plateau of capability than in previous editions:

- The addition of a fourth global market segment (Latin America).
- The addition of a new online market segment where rival companies use the Internet to sell directly to consumers (to complement sales through brick-and-mortar retailers). The Internet marketing feature, we think, is very much in keeping with real-world events and the e-commerce revolution now in progress.

- Expanded production options that allow each plant to produce private-label and branded footwear of varying quality.
- The option to create a chain of company-owned retail stores.
- An easy-to-use e-mail feature that makes the simulation ideal in distance-learning situations. This is a response to requests from numerous users. The e-mail feature allows company members to click on the built-in e-mail button that sends their decision file to the instructor/game administrator, lets instructors open e-mailed files and direct them into the processing sequence with a few clicks and then readily e-mail the results back to company members for use in the next round of decision making.
- New analytical tools for students to use in developing a credible demand forecast, evaluating capacity expansions, drawing strategic group maps, drawing charts and graphs, and preparing a long-range strategic plan.
- Totally redesigned screens that provide a much richer set of on-screen calculations for students to use.
- New Microsoft Excel-based programming that avoids many of the problems users encountered with our prior compiler-based spreadsheet software.
- A much revamped Player's Manual where the central organizing elements are demand forecasting, plant operations, warehouse and shipping operations, marketing operations, and financing.

The changes we've instituted are the product of valuable feedback and suggestions from users, several new ideas on our part, and an ongoing effort on our part to continuously improve the simulation.

What Sets This Simulation Apart

The Business Strategy Game has five features that make it an uncommonly effective teaching/learning aid for strategic management courses: (1) *the product and the industry*—as we noted earlier, students can readily identify with and understand the athletic footwear industry; (2) *the global environment*—students gain up-close exposure to what global competition is like and the kinds of strategic issues that managers in global industries have to address; (3) *the realistic quality of the simulation exercise*—we've designed the simulation to be as faithful as possible to real world markets, competitive conditions, and revenue-cost-profit relationships; (4) *the wide degree of strategic freedom students have in managing their companies*—we've gone to great lengths to make the game free of bias as concerns use of one strategy versus another; and (5) *the long-range strategic planning and analysis capabilities it incorporates as an integral part of the exercise of running a company*.

These features, wrapped together as a package, provide an exciting and valuable bridge between concept and practice, the classroom and real-life management, and reading a textbook and learning by doing. Instructors will find opportunity after opportunity to use examples and happenings in *The Business Strategy Game* in lecturing on the text chapters.

The Value a Simulation Adds

Our own experiences, along with hours of discussions with users, have convinced us that simulation games are *the single best exercise available* for helping students understand how the functional pieces of a business fit together and

giving them an integrated experience. First and foremost, the exercise of running a simulated company over a number of decision periods helps develop students' business judgment. Simulation games provide a live case situation where events unfold and circumstances change as the game progresses. Their special hook is an ability to get students personally involved in the subject matter. *The Business Strategy Game* is very typical in this respect. In plotting their competitive strategies each decision period, students learn about risk taking. They have to respond to changing market conditions, react to the moves competitors, and choose among alternative courses of action. They get valuable practice in reading the signs of industry change, spotting market opportunities, evaluating threats to their company's competitive position, weighing the trade-offs between profits now and profits later, and assessing the long-term consequences of short-term decisions. They chart a long-term direction, set strategic and financial objectives, and try out different strategies in pursuit of competitive advantage. They become active strategic thinkers, planners, analysts, and decision makers. And by having to live with the decisions they make, students experience what it means to be accountable for decisions and responsible for achieving satisfactory results. All this serves to drill students in responsible decision making and to improve their business acumen and managerial judgment.

Second, students learn an enormous amount from working with the numbers, exploring options, and trying to unite production, marketing, finance, and human resource decisions into a coherent strategy. They begin to see ways to apply knowledge from prior courses and figure out what really makes a business tick. The effect is to help students integrate a lot of material, look at decisions from the standpoint of the company as a whole, and see the importance of thinking strategically about a company's competitive position and future prospects. Since a simulation game is, by its very nature, a hands-on exercise, the lessons learned are forcefully planted in students' minds—often with lasting impact. Third, students' entrepreneurial instincts blossom as they get caught up in the competitive spirit of the game. The resulting entertainment value helps maintain an unusually high level of student motivation and emotional involvement in the course throughout the term.

Features of the New Version

In preparing this latest version, we've benefited enormously from the experiences and advice of both adopters and players. We've listened carefully, implemented many suggestions of users, programmed in numerous behind-the-scenes refinements that users have requested, and added a couple of new features. You'll find this newest incarnation of *The Business Strategy Game* to be meaningfully better for players and game administrators in several respects:

- *An easy-to-use e-mail feature that makes the simulation ideal for use in distance-learning situations.* This addition is a response to requests from numerous users. The e-mail feature allows company members to click on a built-in e-mail button that sends their decision file to the instructor/game administrator, lets instructors open e-mailed files and direct them into the processing sequence with a few clicks, and then lets the instructor/game administrator readily e-mail the results back to company members for use in the next round of decision making.
- *A revised and integrated demand forecasting tool.* There's a new screen that allows each company to develop sales projections for the number of pairs it