

Strategic Management

Concepts and Cases



Twelfth Edition

Thompson | Strickland

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 hallmark of the 12th edition of *Strategic Management: Concepts and Cases* is thorough coverage of the seismic strategy-related changes in the business landscape being driven by globalization, the Internet, and dot-com companies. The package features new chapters, new sections, new concepts, new cases, and a trail-blazing Web site.

Much of significance has transpired since the last edition, demanding substantive adjustments and revisions in treatment and emphasis, in addition to normal updating. A defining highlight of the 12th edition is the addition of two important new chapters—one on strategy making in global markets and one on business models and strategies for e-commerce. You'll also find that this edition has been "globalized" and "e-commerce" from cover to cover, producing a significantly reshaped chapter content and an invigorating case lineup.

We attacked this revision with zeal, excited by the challenge of mirroring the changes in business strategies, business organization, and business practices being wrought by globalization, the strategy-altering embrace of the Internet by more and more companies, and further advances in the conceptual underpinning of strategic management. At the same time, we have tried our level best to satisfy the market's legitimate yearning for a comprehensive teaching/learning package that squarely targets what every student needs to know about crafting, implementing, and executing business strategies. To help keep our 12th-edition package fresh and on the leading edge of pedagogy, we are initiating a much more extensive Web site for the text that incorporates the latest in e-learning and e-publishing technology and that offers significant value-added enhancements for both students and instructors. The 12th-edition package consists of:

- Thirteen chapters of text material.
- An exciting and teachable collection of 27 cases.
- An e-library of 31 popular cases from the 10th and 11th editions that instructors can select for case assignments. Students can use a credit card to purchase assigned cases in the e-case collection; all e-cases are available immediately in the form of a downloadable file. Students can use the e-case file to print a copy for their personal use (or can read the case directly on the monitor). The e-case library at the Web site, coupled with the 27 cases in the text, effectively provides instructors with a bank of 58 high-caliber cases to choose from.
- 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.
- A Case-TUTOR™ courseware supplement that provides students with study questions for all 27 cases plus 12 custom-designed case preparation guides that walk them through the appropriate analysis and help them arrive at soundly reasoned action recommendations.
- A Web site featuring a "learning resource center" for students and a "teaching resource center" for instructors.

- 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.
- A paperback volume entitled *Crafting and Executing Strategy: Text and Readings*, which contains the 13 chapters of text material and 22 readings. This volume is particularly suitable for instructors who wish to put together their own case package (perhaps from the e-library of 53-plus preselected, proven cases on the Web site for our text).
- Seven video supplements for use with cases in this edition.
- A full array of instructional aids for adopters.

All in all, we think the enhancements and 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 12TH EDITION

New concepts, analytical tools, and methods of managing continue to surface at rates that mandate important edition-to-edition changes in content and emphasis. 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 incorporate and integrate 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, because of 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, plus margin notes in every chapter that highlight basic concepts, strategic management principles, and kernels of wisdom. Extensive rewriting to sharpen the presentations throughout the text 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 because the content of these chapters was focused chiefly on business-level strategy. 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—their role as driving forces in some markets has become obvious and undeniable and a factor that many companies must reckon with in forging winning strategies. 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 assuring 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 of 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 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 needs to recruit talented employees and to 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 are designated by a special “global” logo.

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.

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 CASE COLLECTION IN THE 12TH EDITION

The 27 cases in this edition include 19 new cases not appearing in any of our previous editions, 7 updated cases from the 10th and 11th editions, and 1 carryover case—the now-classic two-page Robin Hood case. According to our custom, we have grouped the cases under five chapter-related, topical headings to highlight the close links between the cases and strategic management concepts.

In the Section A grouping are four cases spotlighting the manager as chief strategy maker and chief strategy implementer: these cases—Steve Case, America Online, and Time Warner; The DaimlerChrysler Merger (A) and (B); and Giuseppe’s Original Sausage Company—demonstrate why the discussions in Chapters 1 and 2 are relevant to a company’s long-term market success. Section B contains 13 cases (including 6 cases on dot-com companies) whose central issues deal with analyzing industry and competitive situations and crafting business-level strategy; these cases call on students to apply the text material in Chapters 3 through 8. In Section C are cases on Campbell Soup and Black & Decker (both of which are updated from previous editions) that make nice follow-ons to the text coverage of strategy making in diversified companies in Chapters 9 and 10. The six cases in Section D all revolve around the managerial challenges of implementing strategy and give students an opportunity to apply the concepts presented in Chapters 11, 12, and 13. Section E contains two cases—one on Motorola and one on Levi Strauss—highlighting the links between strategy, ethics, and social responsibility.

The New Collection of e-Cases

As a way to make it simple and convenient for instructors to supplement the 27 cases included in the text, we’ve assembled an e-collection of 31 of the best and most popular cases from our 10th and 11th editions, giving you a total of nearly 58 cases from which to choose in making case assignments. Moreover, *the e-case collection will be expanded on an ongoing basis as fast as we are able to secure freshly written cases, get them satisfactorily formatted, and secure the rights to post them for classroom use.* Students can use a credit card to purchase assigned cases

in the e-collection at the Web site for the text; all e-cases are available immediately in the form of a downloadable file. Students can either print a copy from the e-case file for their personal use or read the case directly on the monitor.

We believe that the cases from our continually updated e-library will prove valuable as supplements to the cases in the text and keep case assignments current. We hope that the e-case library will eventually consist of 60 to 70 cases eminently suitable for use with our text, and we are confident that you will find the caliber of cases in the e-collection equal to the caliber in the text. The e-case library, which instructors can browse in the “instructor center” at the Web site for the text (www.mhhe.com/thompson), is organized to make it easy and convenient for instructors to identify and select the cases that best meet their course needs. Teaching notes for all the e-cases are also available in downloadable or viewable form for instructor perusal and use.

The 27 cases in the 12th edition plus the initial 31 cases in the e-library all reflect our steadfast preference for cases that feature interesting products and companies and that are capable of sparking both student interest and lively classroom discussions. Over 40 of the 58 cases involve high-profile companies, products, or people that students will have heard of, know about from personal experience, or can easily identify with. The six dot-com company cases, plus several others, will provide students with insight into the special demands of competing in industry environments where technological developments are an everyday event, product life cycles are short, and competitive maneuvering among rivals comes fast and furious. At least 25 of the cases involve situations where company resources and competitive capabilities play as much a role in strategy making and strategy implementing as do industry and competitive conditions. Indeed, we made a special effort to ensure that the cases selected for the text and for the e-library vividly demonstrate the relevance of the resource-based view of the firm. Scattered throughout the lineup are over a dozen cases concerning non-U.S. companies, globally competitive industries, and/or cross-cultural situations; these cases, in conjunction with the globalized content of the text chapters, provide ample material for linking the study of management tightly to the ongoing globalization of the world economy—in proper keeping with the standards of the American Assembly of Collegiate Schools of Business (AACSB). You'll also find cases where the central figures are women and cases dealing with the strategic problems of family-owned or relatively small entrepreneurial businesses. Eighteen of the 27 printed cases in the text involve public companies about which students can do further research in the library or on the Internet, and 7 have videotape segments that are available from the publisher. Several cases in the e-case collection on the Web site have accompanying video segments.

The case researchers whose work appears in this edition and in our e-case collection have done an absolutely first-class job of preparing cases that contain valuable teaching points, that illustrate the important kinds of strategic challenges managers face, and that allow students to apply the tools of strategic analysis. We believe the cases available with this 12th edition are exceptionally appealing, eminently teachable, and very suitable for drilling students in the use of the concepts and analytical treatments in Chapters 1 through 13.

The Guide to Case Analysis and Use of the Internet

Following Chapter 13 and prior to Case 1, we have once again 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. As an integral part of this discussion, there's a section on how to use the Internet 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 has increased at such a rapid-fire pace that the challenge now is to sort quickly through all that is available to find what is really pertinent to the topic at hand. We think students will find our list of suggested Web sites to be a time-saving and valuable assist in running down the information they need. And to further facilitate student use of the Internet, many of the cases include company Web site addresses.

THE CONCEPT-TUTOR AND CASE-TUTOR SOFTWARE SUPPLEMENTS FOR STUDENTS

Available with the 12th edition are third-generation Windows-based software options that serve as interactive study guides. Students can use a credit card to purchase and download the software at the publisher's Web site for the textbook (www.mhhe.com/thompson). The software consists of two separate elements which can be used singly or in tandem:

- *Concept-TUTOR™* —A series of 13 computerized self-tests that students can use to measure their comprehension, chapter-by-chapter, of the conceptual material presented in the text.
- *Case-TUTOR™* —Study questions for each of the 27 cases in the twelfth edition, plus a set of custom-designed case preparation guides for 12 of the cases that lead students through the needed analysis, provide number-crunching assistance, and tutor students in use of the concepts and tools presented in the chapters.

The Concept-Tutor Software Option

Concept-TUTOR contains (1) a 25-question self-test for each of the 13 text chapters, (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 a challenging 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, posts the test 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. In addition, we created multiple-choice tests covering Chapters 1–8 (50 questions) and Chapters 9–13 (50 questions) that students can use to prepare for in-class exams given by the instructor.

Used properly and in conjunction with each other, we think 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.*

The Case-TUTOR Software Option

We've all experienced poor and uneven student preparation of cases for class discussion. Sometimes it's because of inadequate effort but more often it's because of inexperience in using the tools of strategic analysis to arrive at solid recommendations and/or uncertainty over exactly what analysis to do. To give students some direction in preparing a case for class, Case-TUTOR provides study questions for all 27 cases in the 12th edition. To help them learn how to use the concepts and analytical tools properly, there's an interactive guide (not a solution!) for use in preparing 12 of the cases. Each of the 12 study guides has been custom-designed to fit the specific issues and analytical problems posed by that case. We scrupulously avoided creating one generic study guide because cases in strategic management cut across a broad range of issues and require diverse analytical approaches. (Strategy analysis in single-business situations is fundamentally different from strategy analysis of diversified companies; cases where the spotlight is on developing a strategy are fundamentally different from cases where the main issues revolve around strategy implementation and execution.)

The custom-designed case preparation guides on Case-TUTOR provide:

- *Study questions* to trigger the process of thinking strategically and to point students toward the analysis needed to arrive at sound recommendations.
- A series of *interactive screens organized around the study questions* that coach students in the use of whatever analytical tools are appropriate—whether it be five-forces analysis, strategic group mapping, identification of key success factors, SWOT analysis, value chain analysis, competitive strength assessments, construction of business portfolio matrixes, industry attractiveness assessments, or strategic fit matchups. These screens are intended to help students arrive at substantive, reasoned, supportable answers to the study questions.
- *Assistance in performing calculations related to the analysis.* This can include statistics useful in evaluating industry data and company operating performance, measures of profitability, growth rates, and assorted financial ratios.
- *What-if exercises* (where appropriate) that allow students to readily develop projections of company financial performance (when such projections are germane to the case, and when data in the case permit such projections to be made).
- *Questions* specifically aimed at helping students create a set of analysis-based, supportable action recommendations.
- *The capability to make printouts* of the work done (to serve as notes students can use in the class discussion or as hand-in assignments to be checked or graded).

The interactive design of the case preparation guides keeps the ball squarely in the student's court to do the analysis, to decide what story the numbers tell about a company's situation and performance, and to think through the options to arrive at recommendations. The Case-TUTOR software supplement is thus not a crutch or "answer file" for the cases; rather, it is a vehicle for using the personal computer to tutor students in strategic thinking and help them learn to correctly apply the tools and concepts of strategic management. We endeavored

to design the case preparation guides to coach students in how to think strategically about business problems and issues, to drill them in the methods of strategic analysis, and to promote sound business judgment. Instructors can be assured that the case notes students develop with the aid of Case-TUTOR will represent their work, not ours.

THE NEW E-LEARNING CENTER AT THE WEB SITE

A new feature of this edition's Web site is the creation of an "e-learning center" that functions as an electronic bookstore where students can use a credit card to purchase and immediately obtain:

- The Concept-TUTOR courseware.
- The Case-TUTOR courseware.
- Downloadable portable document format (PDF) files of most of the cases in this 12th edition and selected cases from the 10th and 11th editions, plus files of freshly written cases that have become available since publication of this edition.
- A digitally delivered version of both the Player's Manual and software for *The Business Strategy Game* (described below).

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 rather than in printed form or on disks and CDs is substantially more cost-efficient, thus reducing the prices that students have to pay utilizing traditional campus bookstore channels. 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 center 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 BUSINESS STRATEGY GAME OPTION

There's an extensively revised and upgraded version of *The Business Strategy Game* to accompany this 12th edition of the textbook. The mostly new seventh-generation version of *The Business Strategy Game* has a raft of new features that we think users will find appealing and that take the simulation to a much-higher plateau of capability:

- *An easy-to-use e-mail feature that makes the simulation ideal for 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 will send 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 instructors/game administrators

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 footwear company to develop sales projections for the number of pairs it is likely to sell in each market segment, given its contemplated marketing effort and given the overall competitive effort it expects to encounter from rival companies. Company members can use these projections as the basis for production and plant operations decisions, for shipping decisions to the various distribution centers, and for crafting a marketing strategy that will produce the desired sales and market share. However, the accuracy of the sales projections will depend on students' ability to anticipate both changes in market conditions and rivals' competitive efforts.
- *The addition of Latin America as a geographic region of the global market.* We've added Latin America to the list of geographic regions constituting the global footwear market. Companies can now locate plants and sell their footwear products in any or all of four regions—North America, Asia, Europe, and Latin America. The simulation begins with a \$4 tariff on footwear imported into Europe, a \$6 tariff on footwear imported into Latin America, and an \$8 tariff on footwear imported into Asia. All companies start the simulation with a 1-million-pair plant in North America and a 3-million-pair plant in Asia. Exchange rate fluctuations are tied to the U.S. dollar, the euro, the Japanese yen, and the Brazilian real.
- *The Internet marketing and online sales feature.* Companies now compete online to sell direct to consumers based on three global factors (comparative selling prices, the number of models and styles offered at the Web site, and speed of delivery) and three region-specific factors (product quality, image rating, and advertising). As might be expected, there is some channel conflict between online sales and a company's attempt to secure sales through brick-and-mortar retail outlets; company co-managers have to address these "cannibalization" issues if they elect to pursue a "click-and-mortar" strategy (a situation with which many real-world companies have to contend).
- *The option to open a chain of company retail stores.* Companies now have the option of investing in building a chain of company-owned and operated retail megastores in major shopping centers to supplement or substitute for selling at wholesale through independent retail dealers. However, as with online sales, company-owned stores pose some distribution channel conflict because independent retailers see them as cannibalizing their own sales. Thus, company members now have to wrestle with which of three distribution channels to emphasize—independent dealers, company-owned stores, and online sales—and they have to cope with whatever channel conflicts result.
- *New production options.* Decision entries have been added that allow plants to produce branded and private-label footwear of a specified quality and product-line breadth. In former versions of the simulation, all production at a plant had to be of the same quality and involve the same number of models and styles—there was no distinction between producing private-label and branded footwear. The flexibility to produce both types of footwear and specify the quality and models of each gives companies a much richer and

more realistic set of strategy options. We've also increased the number of plant upgrade options from three to six in order to provide more ways to match production strategy and production costs to fit the needs of a company's pricing and marketing strategy and its production capacity requirements. All these plant-related changes give company managers more ways to use plant assets and to deal with high-cost plants; they also serve to dampen the tendency that existed in prior editions for companies to invest in more plant capacity than was really needed and thus create excess supply conditions.

- *New analytical tools.* There are new menu options that players can use to assist them in evaluating capacity expansions, drawing strategic group maps, drawing charts and graphs, and preparing a long-range strategic plan. We think students will find that these analytical aids save time as well as provide valuable insights for improving the caliber of their decisions.
- *The use of Microsoft Excel.* This new seventh edition of *The Business Strategy Game* requires that the simulation be played on PCs loaded with Microsoft Excel—the version on Office 97 or Office 2000. Moreover, the PCs must have a Windows-based operating system (Windows 95, Windows 98, Windows NT, or Windows 2000) and preferably 64 MB of RAM and a 233-MHz or faster chip. (The program will run on lesser-equipped machines but at slow speeds.) If your class does not have access to PCs with a Windows-based operating system and a recent version of Microsoft Excel, then you will need to use the sixth edition version of *The Business Strategy Game*.
- *New screen designs and support calculations.* We used the reprogramming of the simulation as an opportunity to greatly improve screen layouts, to incorporate more instructions for use of the software and of the rules directly on the screen (so as to minimize the need for students to look up things in the Player's Manual), and to provide a far richer set of on-screen calculations to guide decision making. While the screens contain a lot more information and take a bit longer to digest, players will find most all of the information they need is either directly on the screens or is readily accessible on the menu bar guide at the top of each screen. If students forget some of the information in the Player's Manual, they can quickly access the information online by clicking on the Help button—the Help button takes them directly to screens displaying the related information in the Player's Manual, thus eliminating the need to look up rules and procedures in the manual.
- *A revamped Player's Manual.* The changes we've made in this edition necessitated a fundamental rewrite of the Player's Manual. So we took the opportunity to recast the whole presentation around demand forecasting, plant operations, warehousing and shipping, sales and marketing, and the financing of company operations—the very things that are the central focus of the decision screens and the overall strategy-making process. The discussion of the decisions in each area of the company's operations is integrated with the reports concerning each area of company operations. We think you'll find that the new presentation of the Player's Manual, coupled with the information-rich screen designs, will make playing of the simulation easier for students and dramatically reduce the number of questions about rules and procedures.

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 of 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, they 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.

A Bird's-Eye View of the Simulation

We designed *The Business Strategy Game* around athletic footwear because producing and marketing athletic footwear is a business students can readily understand and because the athletic footwear market displays the characteristics of many globally competitive—fast growth, worldwide use of the product, competition among companies from several continents, production in low-wage locations, and a marketplace where a variety of competitive approaches and business strategies can coexist. The simulation allows the imaginary companies to manufacture and sell their brands in North America, Asia, Europe, and Latin America, plus the option to compete for supplying private-label footwear to North American chain