



11th
Edition

Strategic Management

Concepts and Cases

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STRATEGIC MANAGEMENT

Concepts and Cases

Arthur A. Thompson, Jr.
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Both of the University of Alabama

Eleventh Edition



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STRATEGIC MANAGEMENT: CONCEPTS AND CASES

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Available with this edition is the software product Strat-Tutor, a computer-assisted, interactive study guide, accessible free at the publisher's web site for the book: <http://www.mhhe.com/thompson>. Strat-Tutor consists of a series of self-tests and study questions/case preparation guides for the 36 cases discussed. Computers equipped with Windows 3.1x, Windows 95/98, or Windows NT required.

Other materials available: an upgraded version of the software, The Business Strategy Game; a companion volume, Readings in strategic management; an instructor's package including test bank, transparencies, etc. Includes index.

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PREFACE

This 11th edition, coming on the heels of the milestone 10th edition published last year, represents a continuing response to the market's unrelenting appetite for freshly researched cases of top-notch quality. While the pace of new developments in the literature of strategic management doesn't warrant an ultrashort *text* revision cycle, keeping users supplied with a stream of the latest and best cases satisfies a legitimate and growing market need. With so many business schools offering the strategic management course every term, the case collection in any one edition wears out after a few terms—we've all experienced the speed with which case files sprout and circulate. Moreover, fast-changing industry and company circumstances can prematurely render an otherwise good case obsolete. Growing interest among adopters for fresh cases, together with an expanding supply of first-rate cases being written annually, has again prompted us to institute a short *case* revision cycle and provide a second collection of 36 cases to choose from. Only the classic two-page Robin Hood case is carried over from the 10th edition; the remaining 35 cases are all different from those in the 10th edition. Aside from the new cases, however, the content of the 11th edition matches that of the 10th edition; the 11 chapters of text material remain untouched except for minor editing.

If you are a user of the 10th edition, shifting to the 11th edition merits consideration (1) as soon as you deem it's time to incorporate a new case collection in your course offering or (2) if you are intrigued with the pedagogical possibilities of having your students utilize the Strat-TUTOR chapter self-tests and case preparation exercises, which they can now access free at the publisher's Web site for the text (www.mhhe.com/thompson). If you haven't been an adopter of the 10th edition, we suggest first exploring this 11th edition and looking into the value that full-scale use of the Strat-TUTOR courseware can add to students' understanding of the concepts and tools of analysis. There's also a newly published upgraded edition of *The Business Strategy Game* (version 6.0) for use with either the 10th or 11th edition.

THE CASE COLLECTION IN THE 11TH EDITION

The 36 cases in this edition include 29 new cases not appearing in any of our previous editions, 5 thoroughly updated and revised cases appearing in the 9th edition, one carryover case from the 9th edition, and one carryover case from the 10th edition. To highlight the close linkage between the cases and strategic management concepts, we have grouped the cases under five chapter-related and topical headings. In the Section A grouping are four cases spotlighting the role and tasks of the manager as chief strategy-maker and chief strategy-implementer; these cases—Starbucks Corporation,

“Chainsaw Al” Dunlap and Sunbeam Corporation, Caribbean Internet Café, and KUVO Radio—provide convincing demonstration of why the discussions in Chapters 1 and 2 are relevant to a company’s long-term market success. Section B contains 15 cases whose central issues deal with analyzing industry and competitive situations and crafting business-level strategy; these cases call upon students to apply the text material in Chapters 3 through 6. In Section C are four cases involving strategy assessments and strategy-making in diversified companies that make nice follow-ons to the coverage of Chapters 7 and 8. There are 10 cases in Section D, all revolving around the managerial challenges of implementing strategy and giving students an opportunity to apply the concepts presented in Chapters 9, 10, and 11. Section E contains three cases highlighting the links between strategy, ethics, and social responsibility.

The case lineup in this 11th edition, as in prior editions, reflects our steadfast preference for cases that feature interesting products and companies and that are capable of sparking both student interest and lively classroom discussions. At least 24 of the 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 Dell Computer Corporation, Acer in Canada, Brøderbund Software Inc., and Competition in the Electronic Brokerage Industry cases will provide students with insight into the special demands of competing in “high velocity” industry environments where technological advances are an everyday event, product life cycles are short, and competitive maneuvering among rivals comes fast and furious. At least 19 of the cases involve situations where company resources and competitive capabilities play as much a role in the strategy-making, strategy-implementing scheme of things as industry and competitive conditions. Indeed, we made a special effort to ensure that the cases selected for this edition demonstrated the relevance of the resource-based view of the firm.

Scattered throughout the lineup are 10 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 strategic management tightly to the ongoing globalization of the world economy—in proper keeping with AACSB standards. You’ll also find three cases on non-profit organizations, three cases where the central figures are women (plus one where the central issue is reverse sex discrimination), 10 cases dealing with the strategic problems of family-owned or relatively small entrepreneurial businesses, and 19 cases involving public companies about which students can do further research in the library or on the Internet. Six of the cases (Starbucks Corporation, “Chainsaw Al” Dunlap and Sunbeam Corporation, Competition in the Video Game Industry, Outback Steakhouse Goes International, Herb Kelleher and Southwest Airlines, and Stew Leonard’s Dairy) have videotape segments that either are available from the publisher or can be ordered from other sources.

The case researchers whose work appears in this edition 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 you will find the 11th edition’s collection of 36 cases exceptionally appealing, eminently teachable, and very suitable for drilling students in the use of the concepts and analytical treatments in Chapters 1 through 11. It is an unusually attractive and stimulating case lineup from beginning to end.

Company Web Site Addresses and Use of the Internet Following Chapter 11 and prior to Case 1, we have once again included “A Guide to Case Analysis,” which gives students positive direction in what case method pedagogy is all about and offers suggestions for

approaching case analysis. The guide incorporates a section on how to use the Internet and various on-line 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 exploding at a rapid-fire pace. We think students will find our list of information-laden Web sites and the accompanying suggestions on how to use the various search engines a time-saving and valuable asset in running down the information they are interested in. And to further facilitate student use of the Internet, we have included company Web site addresses at appropriate locations in the cases themselves.

CONTENT FEATURES OF THE TEXT CHAPTERS

Tenth and eleventh editions are milestones in the evolution of a textbook. For potential adopters they signal effective pedagogy and sustained market acceptance, but for authors they impose a responsibility to reflect on how the presentation can be recast in ways that add disciplinary coherence and that move the subject matter to a new plateau of clarity and understanding. We've tried to live up to this responsibility, endeavoring to include in the 11 chapters of text a teaching/learning package that squarely targets what every student needs to know about crafting, implementing, and executing business strategies.

New concepts, analytical tools, and methods of managing continue to surface at rates that mandate important edition-to-edition changes in content and emphasis. One of the most important new developments in the strategy literature concerns advances in the conceptual underpinning and articulation of the resource-based view of the firm. While SWOT analysis and evaluation of core competencies have always pointed to the importance of careful internal strength-weakness assessment in crafting strategy, recent contributions to the literature make it clear that there's much more to the resource-based view of the firm than is implied in a simple weighing of company strengths, weaknesses, opportunities, and threats. We have made a concerted attempt *throughout* the 11 text chapters to drive home the strategy-making, strategy-implementing relevance of strengthening a company's resource complement and upgrading its competencies and competitive capabilities to match market realities and create competitive advantage. The 10th and 11th editions give balanced treatment to the thesis that a company's strategy must be matched *both* to its external market circumstances and to its resources and competitive capabilities. Hence, you'll find the resource-based view of the firm prominently integrated into the coverage of crafting business strategy (Chapters 2 and 4) and crafting diversification strategies (Chapters 7 and 8). You'll also find that Chapters 9 and 10 have a strong resource-based perspective as concerns the role of building and nurturing core competencies, competitive capabilities, and organizational resources in implementing and executing strategy.

In addition to the exceptionally thorough resource-based orientation, we've incorporated important new material on cooperative strategies, collaborative alliances, and competing in "high-velocity" market environments where the pace of change (from whatever source) places special demands on a company to adapt its strategy and its resource capabilities to rapidly unfolding events. Once again, there's front-to-back coverage of global issues in strategic management, prominent treatment of ethical and social responsibility issues, and margin notes in every chapter that highlight basic concepts, strategic management principles, and kernels of wisdom. Extensive rewriting to sharpen the presentations in every chapter has allowed us to include the new material and still cover everything in less than 350 pages—something that readers and adopters ought to welcome, given the jam-packed content of the course.

Specific Chapter Modifications and Content Improvements

While the overall chapter organization parallels prior editions, we've made a number of noteworthy adjustments in chapter content and topical emphasis:

- Chapters 1 and 2 contain fresh presentations on the importance of a clear, motivating strategic vision, stretch objectives, and rapid adaptation of strategy to newly unfolding market conditions and customer expectations. We continue to place strong emphasis on how and why a company's strategy emerges from (a) the deliberate and purposeful actions of management and (b) as-needed reactions to unanticipated developments and fresh competitive pressures. The material in Chapter 1 underscores even more strongly that a company's strategic plan is a collection of strategies devised by different managers at different levels in the organizational hierarchy and builds a case for why all managers are on a company's strategy-making, strategy-implementing team. The worldwide organizational shift to empowered employees and managers makes it imperative for company personnel to be "students of the business" and skilled users of the concepts and tools of strategic management.
- Chapter 4 now incorporates 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 have been given *center stage* in the discussions of company resource strengths and weaknesses. SWOT analysis has been recast as a tool for assessing a company's resource strengths and resource weaknesses. There are new sections on determining the competitive value of specific company resources and assets and on selecting the competencies and capabilities having the biggest competitive advantage potential. The now standard tools of value-chain analysis, strategic cost analysis, benchmarking, and competitive strength assessments, however, continue to have a prominent role in the methodology of evaluating a company's situation—they are an essential part of understanding a company's relative cost position and competitive standing vis-à-vis rivals.
- Together, the material in Chapter 3 (Industry and Competitive Analysis) and Chapter 4 (Evaluating Company Resources and Competitive Capabilities) creates the understanding for why managers must carefully match company strategy both to industry and competitive conditions and to company resources and capabilities. The role of Chapter 3 is to set forth the now familiar analytical tools and concepts of industry and competitive analysis and demonstrate the importance of tailoring strategy to fit the circumstances of a company's industry and competitive environment. The role of Chapter 4 is to establish the equal importance of doing solid company situation analysis as a basis for matching strategy to organizational resources, competencies, and competitive capabilities.
- Chapter 5 contains a major new section on using cooperative strategies to build competitive advantage. Chapter 6 features a new section on competing in industry situations characterized by rapid-fire technological change, short product life-cycles, frequent moves by competitors, and/or rapidly evolving customer requirements and expectations. It also includes more extensive discussions of strategic alliances to enhance a company's competitiveness in both high-velocity and global markets.

- We continue to believe that global competition and global strategy issues are best dealt with by integrating the relevant discussions into each chapter rather than partitioning the treatment off in a separate chapter. The globalization of each chapter, a prominent feature of the two previous editions, is carried over and strengthened in this edition, plus we've added more illustration capsules to highlight the strategies of non-U.S. companies.
- We have recast our analytical treatment of corporate diversification strategies in Chapters 7 and 8, eliminating much of the attention formerly given to drawing business portfolio matrices and instead putting the analytical emphasis on (1) assessing industry attractiveness, (2) evaluating the company's competitive strength in each of its lines of business, (3) appraising the degree of strategic fits among a diversified company's different businesses, and (4) appraising the degree of *resource fit* among the different businesses. You'll find a very strong resource-based view of the firm in the recommended methodology for evaluating the pros and cons of a company's diversification strategy. Chapter 8 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 (Chapters 9–11) on strategy implementation features a solid, compelling conceptual framework structured around (1) building the resource strengths and organizational capabilities needed to execute the strategy in competent fashion; (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 the 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 9. The remainder of Chapter 9 focuses on building an organization with the competencies, capabilities, and resource strengths needed for successful strategy execution. You'll find welcome 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 arrangements to achieve the necessary degree of collaboration and cooperation both among internal departments and with outside resource providers. There is much-expanded treatment of the task of building resource strengths through collaborative alliances and partnerships. We've continued the coverage initiated in the last two editions concerning the pros and cons of outsourcing noncritical activities, downsizing and delayering hierarchical structures, employee empowerment, reengineering core business processes, 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 and makes strategic sense out of all 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 and valuable approaches for improving the caliber of strategy execution.

- As before, Chapter 10 surveys the role of 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 11 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, plus sections on ethics management and what managers can do to improve the caliber of strategy execution.
- There are 17 new or revised Illustration Capsules.

The use of margin notes to highlight basic concepts, major conclusions, and "core" truths was well received in earlier editions and remains a visible feature of this edition. The margin notes serve to distill the subject matter into concise principles, bring the discussion into sharper focus for readers, and point them to what is important.

Diligent attention has been paid to putting life into the explanations and to improving clarity and writing style. We've tried to take dead aim on creating a text presentation that is crisply written, clear and convincing, interesting to read, comfortably mainstream, and as close to the frontiers of theory and practice as a basic textbook should be.

The Strat-TUTOR Software Supplement for Students

Available with the 11th edition is a third generation software product called Strat-TUTOR that is, in effect, a full-fledged, computer-assisted, interactive study guide for the whole text. Students can access the Strat-TUTOR software free at the publisher's Web site for the book www.mhhe.com/thompson. It consists of two main sections:

- A series of self-tests that students can use to measure their comprehension, chapter by chapter, of the material presented in the text.
- Study questions for each of the 36 cases in the 11th edition, plus a set of custom-designed case preparation guides for 15 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 Self-Testing Feature The test section of Strat-TUTOR contains (1) a 25-question self-test for each text chapter, (2) a 50-question self-exam covering the material in Chapters 1–6, and (3) a 50-question self-exam covering the material in Chapters 7–11. The 11 chapter tests consist of an assortment of true–false, fill-in-the-blank, and challenging multiple-answer questions that cover the text presentation rather thoroughly. 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, Strat-TUTOR automatically grades the answers, provides a test score, points 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 conventional (single-answer) multiple-choice tests covering Chapters 1–6 (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 11 chapters. *None of the questions on Strat-TUTOR correspond to those on the instructor's test bank.*

The Study Questions and Case Preparation Guides 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 is because of confusion over exactly what analysis to do and/or inexperience in using the tools of strategic analysis to arrive at solid recommendations. To give students some direction in what to think about in preparing a case for class, Strat-TUTOR provides study questions for all 36 cases in the 11th 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 15 of the cases. Each study guide has been *tailored* to fit the specific issues/problems and analytical requirements posed by the case. We have scrupulously avoided creating one generic study guide because cases in strategic management cut across a broad range of issues and problems and entail diverse analytical requirements (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 Strat-TUTOR case preparation guides 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 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, strategic fit matchups, or internal organization analysis.
- *Follow-on questions* to prod students to think clearly about what conclusions flow from their analysis.
- *Calculations* of financial ratios, compound average growth rates, common-size income statements and balance sheets, and any other statistics useful in evaluating industry data, company financial statements, and company operating performance.
- *What-iffing capability* that allows students to readily develop projections of company financial performance (when such projections are germane to the case).
- *Reminders* of strategy principles and generic strategic options to help students arrive at a set of pragmatic action recommendations.

- *Printouts* of the work done (to serve as notes students can use in the class discussion).

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. Strat-TUTOR is thus not a crutch or "answer file" for the cases; rather, *it is a vehicle for using the PC to tutor students in strategic thinking and helping them learn to correctly apply the tools and concepts of strategic management*. We've endeavored to design the case preparation guides to coach students in how to think strategically about business problems/issues, to drill them in the methods of strategic analysis, and to promote sound business judgment. You can be assured that the case notes students develop with the aid of Strat-TUTOR will represent their work, not ours.

To decide whether Strat-TUTOR makes sense as a requirement or recommended option in your course, we suggest going to the Web site for the text (www.mhhe.com/thompson), reviewing one or two of the chapter tests and case preparation guides, and perusing their contents to get a feel for the caliber of the software and its fit with your instructional approach. Strat-TUTOR utilizes a Windows format (familiar to most students) and is very user-friendly; the software must be used on computers equipped with Windows 3.1x, Windows 95/98, or Windows NT.

The Business Strategy Game Option

There's an upgraded version of *The Business Strategy Game* to accompany this 11th edition. The new sixth-edition is the product of valuable feedback and suggestions from users, some new ideas on our part, and reworked programming—and represents an ongoing effort to continuously improve the simulation. This latest version incorporates a revised executive compensation option, the use of Eurodollars instead of German marks, modest enhancements in the Player's Manual, and an assortment of programming refinements that makes it a welcome improvement over the version introduced in 1998.

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*—producing and marketing athletic footwear is a business that students can readily identify with and understand; (2) *the global industry 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 one strategy versus another; and (5) *the five-year planning and decision-making capability 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 conventional wisdom about management and learning-by-doing. You'll find opportunity after opportunity to use examples and happenings in *The Business Strategy Game* to connect to your lectures on the text chapters.

The Value a Simulation Adds Our own experiences with simulation games, along with hours of discussions with users, have convinced us that simulation games are the *sin-*

gle best exercise available for helping students understand how the functional pieces of a business fit together and giving them an integrated, capstone 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, weighting 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 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—the impact is far more lasting than what is remembered from lectures. 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.

About 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 industries—fast growth followed by market maturity, worldwide use of the product, competition among companies from several continents, production located in low-wage locations, and a marketplace where a variety of competitive approaches and business strategies can coexist. The simulation allows companies to manufacture and sell their brands in North America, Europe, and Asia; plus there's the option to compete for supplying private-label footwear to North American chain retailers. Competition is head-to-head—each team of students must match their strategic wits against the other company teams. Companies can focus their branded marketing efforts on one geographic market or two or all three or they can deemphasize branded sales and specialize in private-label production (an attractive strategy for low-cost producers). They can establish a one-country production base or they can manufacture in all three of the geographic markets. Low-cost leadership, differentiation strategies, best-cost producer strategies, and focus strategies are all visible competitive options. Companies can position their products in the low end of the market, the high end, or stick close to the middle on price, quality, and service; they can

have a wide or narrow product line, small or big dealer networks, extensive or limited advertising. Company market shares are based on how each company's competitive effort stacks up against the efforts of rivals. Demand conditions, tariffs, and wage rates vary from geographic area to geographic area. Raw materials used in footwear production are purchased in a worldwide commodity market at prices that move up or down in response to supply–demand conditions. If a company's sales volume is unexpectedly low, management has the option to liquidate excess inventories at deep discount prices.

The company that students manage has plants to operate, a workforce to compensate, distribution expenses and inventories to control, capital expenditure decisions to make, marketing and sales campaigns to wage, sales forecasts to consider, and ups and downs in exchange rates, interest rates, and the stock market to take into account. Students must weave functional decisions in production, distribution, marketing, finance, and human resources into a cohesive action plan. They have to react to changing market and competitive conditions, initiate moves to try to build competitive advantage, and decide how to defend against aggressive actions by competitors. And they must endeavor to maximize shareholder wealth via increased dividend payments and stock price appreciation. Each team of students is challenged to use their entrepreneurial and strategic skills to become the next Nike or Reebok and ride the wave of growth to the top of the worldwide athletic footwear industry. The whole exercise is representative of a real-world competitive market where companies try to outcompete and outperform rivals—things are every bit as realistic and true to actual business practice as we could make them.

There are built-in planning and analysis features that allow students to (1) craft a five-year strategic plan, (2) gauge the long-range financial impact of current decisions, (3) do the number-crunching to make informed short-run versus long-run trade-offs, (4) assess the revenue-cost-profit consequences to alternative strategic actions, and (5) build different strategy scenarios. Calculations at the bottom of each decision screen provide instantly updated projections of sales revenues, profits, return on equity, cash flow, and other key outcomes as each decision entry is made. The sensitivity of financial and operating outcomes to different decision entries is easily observed on the screen and on detailed printouts of projections. With the speed of today's personal computers, the relevant number-crunching is done in a split second. The game is designed throughout to lead students toward making decisions based on "My analysis shows . . ." and away from the quicksand of making decisions based on "I think," "It sounds good," "Maybe, it will work out," and other such seat-of-the pants approaches.

The Business Strategy Game is programmed to work on any PC capable of running Windows 3.1x, Windows 95/98, or Windows NT, and it is suitable for both senior-level and MBA courses. The game accommodates a wide variety of computer setups (as concerns microprocessors, monitors, and printers) and runs quite nicely on a network.

Features of the New Version This latest version is evolutionary, not revolutionary—the changes are minor compared to transformations undertaken in prior editions. We've shifted from the use of German marks to Eurodollars to reflect the monetary changes under way throughout much of Europe, and we've substantially improved the stock bonus element of the executive compensation option. In addition, we've instituted an assortment of behind-the-scenes programming changes to eliminate various bugs and quirks. As you would expect, we have retained the array of new features and improvements introduced in the two previous versions: the demand forecasting feature, the inventory liquidation option, the celebrity endorsements feature, the optional executive compensation feature, the extensive on-screen decision support calculations and what-

iffing capability, the much-improved five-year strategic plan format, and the added scoring flexibility.

As before, instructors have numerous ways to heighten competition and keep things lively as the game progresses. There are options to raise or lower interest rates, alter certain costs up or down, and issue special news flashes announcing new tariff levels, materials cost changes, shipping difficulties, or other new considerations to stir the pot a bit and keep business conditions dynamic. And the built-in scoreboard of company performance keeps students constantly informed about where the company stands and how well they are doing. Rapid advances in PC technology continue to cut processing times—it should take no more than 45 minutes for you or a student assistant to process the results on an older PC and well under 30 minutes on a PC with a Pentium 166 or faster chip.

A separate Instructor's Manual for *The Business Strategy Game* describes how to integrate the simulation exercise into your course, provides pointers on how to administer the game, and contains step-by-step processing instructions. Should you encounter technical difficulties or have questions, the New Media department at Irwin/McGraw-Hill can provide quick assistance via a toll-free number (1-800-331-5094). There's also a special publisher's Web site for the game at www.mhhe.com/bsg where you can obtain the latest information and software upgrades (after obtaining a user name and password at 1-800-331-5094).

The Readings Book Option

For instructors who want to incorporate samples of the strategic management literature into the course, a companion *Readings in Strategic Management* containing 43 selections is available. Thirty-four of the 43 readings are new to this latest edition. All 43 selections are quite readable and are suitable for seniors and MBA students. Most of the selections are articles 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. Some of the articles are drawn from practitioner sources and stress how particular tools and concepts relate directly to actual companies and managerial practices.

To make the close linkage between the selected readings and the 11 chapters of text material readily apparent to students, we have grouped the readings into five categories. Six articles examine the role of the manager as chief strategist and chief strategy-implementer and expand on the topics covered in Chapters 1 and 2. Eleven articles concern strategic analysis and strategy formation at the business-unit level and add more range and depth to the material presented in Chapters 3 through 6. There are five articles dealing with strategy in diversified companies that are very appropriate for use with Chapters 7 and 8. Seventeen of the readings relate to various aspects of strategy implementation and execution, making them suitable complements for the material in Chapters 9, 10, and 11. Four of the articles focus on strategy, values, and ethics.

In tandem, the readings package provides an effective, efficient vehicle for reinforcing and expanding the text–case approach. It is an exceptionally solid lineup of recently published articles.

The 11th Edition Instructor's Package

A full complement of instructional aids is available to assist adopters in using the 11th edition successfully. The two-volume *Instructor's Manual* contains suggestions for using the text materials, various approaches to course design and course organization, a

sample syllabus, alternative course outlines, a thoroughly revised and expanded set of 940 multiple-choice and essay questions, and a comprehensive teaching note for each case. There is a computerized test bank for generating examinations, a set of color transparencies depicting the figures and tables in the 11 text chapters, and PowerPoint presentation software containing a full set of color visuals for classrooms equipped with computer screen projection capability. The PowerPoint disks can also be used to make black-and-white overheads in the event you utilize an overhead projector to support your lectures. The PowerPoint package includes over 500 visuals that thoroughly cover the material presented in the 11 chapters, thus providing plenty to select from in creating support for your classroom lectures (we deliberately created enough visuals for each chapter to give you an ample number of choices in putting together a presentation that fits both your preferences and time constraints). To help instructors enrich and vary the pace of class discussions of cases, there are video supplements for use with the Starbucks Corporation, “Chainsaw Al” Dunlap and Sunbeam Corporation, Competition in the Video Game Industry, Outback Steakhouse Goes International, Herb Kelleher and Southwest Airlines, and Stew Leonard’s Dairy cases.

In concert, the textbook, the three companion supplements, and the comprehensive instructor’s package provide a complete, integrated lineup of teaching materials. The package gives you exceptional latitude in course design, allows you to capitalize on the latest computer-assisted instructional techniques, arms you with an assortment of visual aids, and offers rich pedagogical options for keeping the nature of student assignments varied and interesting. We’ve endeavored to equip you with all the text materials and complementary resources you need to create and deliver a course that is very much in keeping with contemporary strategic management issues and that wins enthusiastic student approval.

Acknowledgments

We have benefited from the help of many people during the evolution of this book. Students, adopters, and reviewers have generously supplied an untold number of insightful comments and helpful suggestions. Our intellectual debt to those academics, writers, and practicing managers who have blazed new trails in the strategy field will be obvious to any reader familiar with the literature of strategic management.

We are particularly indebted to the case researchers whose casewriting efforts appear herein and to the companies whose cooperation made the cases possible. To each one goes a very special thank-you. The importance of timely, carefully researched cases cannot be overestimated in contributing to a substantive study of strategic management issues and practices. From a research standpoint, cases in strategic management are invaluable in exposing the generic kinds of strategic issues that companies face, in forming hypotheses about strategic behavior, and in drawing experienced-based generalizations about the practice of strategic management. Pedagogically, cases about strategic management give students essential practice in diagnosing and evaluating strategic situations, in learning to use the tools and concepts of strategy analysis, in sorting through various strategic options, in crafting strategic action plans, and in figuring out successful ways to implement and execute the chosen strategy. Without a continuing stream of fresh, well-researched, and well-conceived cases, the discipline of strategic management would quickly fall into disrepair, losing much of its energy and excitement. There’s no question, therefore, that first-class case research constitutes a valuable scholarly contribution.

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Naturally, as custom properly dictates, we are responsible for any errors of fact, deficiencies in coverage or presentation, and oversights that remain. As always, we value your recommendations and thoughts about the book. Your comments regarding coverage and contents will be most welcome, as will your calling our attention to specific errors. Please fax us at (205) 348-6695, e-mail us at athompso@cba.ua.edu, or write us at P.O. Box 870225, Department of Management and Marketing, The University of Alabama, Tuscaloosa, Alabama 35487-0225.

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