

The Preface

This 16th edition, features 31 of the latest and best cases in strategic management. The purpose of this 16th edition is to satisfy the market's legitimate and understandable yearning for newly-researched cases involving high-interest companies and headline strategic issues. Both professors and students have long preferred that assigned cases be as up-to-the-minute as possible. Class discussions are prone to take on added sparkle and liveliness when a case is hot off the press and poses issues that company managers are still wrestling with or that involve situations where the jury remains out on the wisdom of prior actions taken by management. Sometimes, fast changing industry and company circumstances cause an otherwise good case in an older edition to lose its appeal (because outcomes are known or the issues are rendered moot by subsequent events). Moreover, 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 made a commitment that extends as far back as our 8th edition to endeavor to keep you well-supplied with a highly appealing stream of brand new cases eminently suitable for courses in strategic management. This edition follows in the footsteps of that longstanding tradition. Only 3 of the 31 cases in this 16th edition are carryovers from the 15th edition, and all three—the classic two-page Robin Hood case, the equally classic three-page Dilemma at Devil's Den case, and the provocative Smithfield Foods case—are truly timeless and teach so exceptionally well that including them here made perfect sense. The remaining 28 cases are newly written and provide altogether fresh and engaging choices for making cutting-edge case assignments.

THE 16TH EDITION: WHAT TO EXPECT

As compared to the 14th edition, the two hallmarks of the 16th edition is a fresh, refined presentation in every chapter and a powerhouse collection of well-researched, well-written cases loaded with intriguing decision issues and important teaching points. A bigger portion of each chapter has been revised and rewritten than in any previous edition. Coverage was trimmed in some areas, expanded in others. Every paragraph on every page of the 14th edition was revisited, producing a host of both major and minor changes in exposition in the 16th edition chapters. Pains were taken to improve and enliven the explanations of core concepts and analytical tools. The latest research findings from the literature and best practices of companies were incorporated to keep in step with both theory and current application. Scores of new examples were added to complement the new and updated Illustration Capsules. The number of the chapter-end exercises was increased and their caliber markedly improved. The result is a 13-chapter treatment with more punch, greater clarity, and quicker comprehension. But none of the

changes have altered the fundamental character that has driven the text's success over the years. The chapter content continues to be solidly mainstream and balanced, mirroring *both* the best academic thinking and the best strategic thinking of practitioners.

Complementing the text presentation is a truly appealing lineup of 31 diverse, timely, and thoughtfully crafted cases. Many involve high-profile companies and all are framed around issues and circumstances tightly linked to the content of the 13 chapters, thus pushing students to apply the concepts and analytical tools they have read about. We are confident you will be impressed with how well these cases will teach and the amount of student interest they will spark. And there's an array of support materials in the Instructor Resources package to equip you with enormous course design flexibility and a powerful kit of teaching/learning tools. We've done our very best to ensure that the 16th edition package will work especially well for you in the classroom, help you economize on the time needed to be well prepared for each class, and cause students to conclude that your course is one of the very best they have ever taken—from the standpoint of both enjoyment and learning a lot.

A TEXT WITH ON-TARGET CONTENT

In our view, for a senior/MBA-level strategy text to qualify as having on-target content, it must:

- Explain core concepts in language that students can grasp and provide examples of their relevance and use by actual companies.
- Take care to thoroughly describe the tools of strategic analysis, how they are used, and where they fit into the managerial process of crafting and executing strategy.
- Be up-to-date and comprehensive, with solid coverage of the landmark changes in competitive markets and company strategies being driven by globalization and Internet technology.
- Focus squarely on what every student needs to know about crafting, implementing, and executing business strategies in today's market environments.
- Contain freshly researched, value-adding cases that feature interesting products and companies, illustrate the important kinds of strategic challenges managers face, link closely to the chapter content, contain valuable teaching points, and ignite lively class discussions.

We believe this 16th edition measures up on all five of these criteria. Chapter discussions cut straight to the chase about what students really need to know. Our explanations of core concepts and analytical tools are covered in enough depth to make them understandable and usable—the rationale being that a shallow explanation carries little punch and has almost no instructional value. All the chapters are flush with convincing examples to which students can easily relate. There's a straightforward, integrated flow from one chapter to the next. All the latest research findings pertinent to a first course in strategy have been woven into the chapters. We have deliberately adopted a pragmatic, down-to-earth writing style, not only to better communicate to an audience of students (who, for the most part, will soon be practicing managers) but also to convince readers that the subject matter deals directly with what managers and companies do in the real world.

And, thanks to the talented efforts of dedicated case researchers in strategic management across the world, this edition contains a set of high-interest cases with unusual ability to work magic in the classroom. Great cases make it far easier for you to drive home valuable lessons in the whys and hows of successful crafting and executing strategy.

ORGANIZATION, CONTENT, AND FEATURES OF THE TEXT CHAPTERS

Although the chapter organization in the 16th edition parallels that of the 14th edition, we worked diligently to make quantum improvements in overall content appeal, ease of student comprehension, and the care with which core concepts and analytical tools are described and explained. As a consequence, we think you'll be amply convinced that *no other leading text does a better job of setting forth the principles of strategic management and linking these principles to both sound theory and best practices*. You'll find up-to-date coverage of the continuing march of industries and companies to wider globalization, the growing scope and strategic importance of collaborative alliances, the spread of high-velocity change to more industries and company environments, how online technology is driving fundamental changes in both strategy and internal operations in companies across the world, the keys to successful diversification, pertinent corporate governance issues, and how Six Sigma, best practices, benchmarking, proper workforce compensation, and a strategy-supportive corporate culture act to promote operating excellence and effective strategy execution. Furthermore, the refreshing facelift given to every chapter as concerns sharper definitions, more thorough explanations, and a greater number of current examples has made the chapters' presentations easier for students to read and understand. Effective communication of core concepts and analytical tools in the chapters reduces the need for detailed lectures on your part and frees time for more in-class debate and discussion, coverage of late-breaking stories in the business press, and other means of driving home the principles of strategy.

No other leading strategy text comes close to matching our treatment of the resource-based theory of the firm. The relevance and role of company resources and competitive strengths is prominently and comprehensively integrated into our coverage of crafting both single-business and multi-business strategies. Chapters 3 through 9 make it crystal clear that a company's strategy *must* be matched *both* to its external market circumstances and to its internal resources and competitive capabilities. Moreover, Chapters 11, 12, and 13 on various aspects of executing strategy have a strong resource-based perspective that also makes it crystal clear how and why the tasks of assembling intellectual capital and building core competencies and competitive capabilities are absolutely critical to successful strategy execution and operating excellence.

No other leading strategy text comes close to matching our coverage of business ethics, values, and social responsibility. We have embellished the highly important chapter on "Strategy, Ethics, and Social Responsibility" with new discussions and material so that it can better fulfill the important functions of (1) alerting students to the role and importance of incorporating business ethics and social responsibility into decision-making and (2) addressing the accreditation requirements of the AACSB that business ethics be visibly and thoroughly embedded in the core curriculum. Moreover, there are substantive discussions of the roles of values and ethics in Chapters 1, 2, 11, and 13, thus providing you with a very meaty and comprehensive treatment of business ethics and socially responsible behavior as it applies to crafting and executing company strategies.

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

- Chapter 1 continues to focus on the central questions of "What is strategy?", and "Why is it important?" It defines what is meant by the term *strategy*, identifies the different elements of a company's strategy, and explains why management efforts to craft a company's strategy entail a quest for competitive advantage. Following Henry Mintzberg's pioneering research, we stress

how and why a company's strategy is partly planned and partly reactive and why a company's strategy tends to evolve over time. There's an enhanced discussion of what is meant by the term *business model* and how it relates to the concept of strategy. The thrust of this first chapter is to convince students that good strategy + good strategy execution = good management. The chapter is a perfect accompaniment for your opening day lecture on what the course is all about and why it matters.

- Chapter 2 delves into the managerial process of actually crafting and executing a strategy—it makes a great assignment for the second day of class and is a perfect follow-on to your first day's lecture. The focal point of the chapter is the five-step managerial process of crafting and executing strategy: (1) forming a strategic vision of where the company is headed and why, (2) setting objectives and performance targets that measure the company's progress, (3) crafting a strategy to achieve these targets and move the company toward its market destination, (4) implementing and executing the strategy, and (5) monitoring progress and making corrective adjustments as needed. Students are introduced to such core concepts as strategic visions, mission statements, strategic versus financial objectives, and strategic intent. There's a section underscoring that *all managers are on a company's strategy-making, strategy-executing team* and that a company's strategic plan is a collection of strategies devised by different managers at different levels in the organizational hierarchy. The chapter winds up with a substantially-expanded section on corporate governance.
- 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. The standout feature of this chapter is a presentation of Michael E. Porter's "five forces model of competition" that we think is the clearest, most straightforward discussion of any text in the field. Globalization and Internet technology are treated as potent driving forces capable of reshaping industry competition—their roles as change agents have become factors that most companies in most industries must reckon with in forging winning strategies.
- Chapter 4 establishes the equal importance of doing solid company situation analysis as a basis for matching strategy to organizational resources, competencies, and competitive capabilities. The roles of core competences and organizational resources and capabilities in creating customer value and helping build competitive advantage are *center stage* in the discussions of company resource strengths and weaknesses. SWOT analysis is cast as a simple, easy-to-use way to assess a company's resources and overall situation. There is much clearer coverage of value chain analysis, benchmarking, and competitive strength assessments—standard tools for appraising a company's relative cost position and market standing vis-à-vis rivals. *An important addition to this chapter is a table showing how key financial and operating ratios are calculated and how to interpret them*; students will find this table handy in doing the number-crunching needed to evaluate whether a company's strategy is delivering good financial performance.
- Chapter 5 deals with a company's quest for competitive advantage and is framed around the five generic competitive strategies—low-cost leadership, differentiation, best-cost provider, focused differentiation, and focused low-cost.
- Chapter 6 extends the coverage of the previous chapter and deals with what *other strategic actions* a company can take to complement its choice of a basic competitive strategy. The chapter features sections on what use to make of strategic alliances and collaborative partnerships; merger and acquisition strategies; vertical integration strategies; outsourcing strategies;

offensive and defensive strategies; and the different types of Web site strategies that companies can employ to position themselves in the marketplace. The discussion of offensive strategies has been totally overhauled and features a new section on blue ocean strategy. The concluding section of this chapter provides a much enhanced treatment of first-mover advantages and disadvantages.

- Chapter 7 explores the full range of strategy options for competing in foreign markets: export strategies; licensing; franchising; multicountry strategies; global strategies; and collaborative strategies involving heavy reliance on strategic alliances and joint ventures. The spotlight is trained on two strategic issues unique to competing multinationally: (1) whether to customize the company's offerings in each different country market to match the tastes and preferences of local buyers or whether to offer a mostly standardized product worldwide and (2) whether to employ essentially the same basic competitive strategy in the markets of all countries where it operates or whether to modify the company's competitive approach country-by-country as may be needed to fit the specific market conditions and competitive circumstances it encounters. There's also coverage of the concepts of profit sanctuaries and cross-market subsidization; the ways to achieve competitive advantage by operating multinationally; the special issues of competing in the markets of emerging countries; and the strategies that local companies in emerging countries can use to defend against global giants.
- The role of Chapter 8 is to hammer home the points made in Chapters 3 and 4 that winning strategies have to be matched both to industry and competitive conditions and to company resources and capabilities. The first portion of the chapter covers the broad strategy options for companies competing in six representative industry and competitive situations: (1) emerging industries, (2) rapid growth industries, (3) mature, slow-growth industries, (4) stagnant or declining industries, (5) turbulent, high velocity industries, and (6) fragmented industries. The second portion of the chapters looks at matching strategy to the resources and capabilities of four representative types of companies: (1) companies pursuing rapid growth, (2) companies in industry-leading positions, (3) companies in runner-up positions, and (4) companies in competitively weak positions or plagued by crisis conditions. The detail with which these ten concrete examples are covered in Chapter 8 should enable you to convince students why it is management's job to craft a strategy that is tightly matched to a company's internal and external circumstances.
- Our rather meaty treatment of diversification strategies for multibusiness enterprises in Chapter 9 begins by laying out the various paths for becoming diversified, explains how a company can use diversification to create or compound competitive advantage for its business units, and examines the strategic options an already-diversified company has to improve its overall performance. In the middle part of the chapter, the analytical spotlight is on the techniques and procedures for assessing the strategic attractiveness of a diversified company's business portfolio—the relative attractiveness of the various businesses the company has diversified into, a multi-industry company's competitive strength in each of its lines of business, and the *strategic fits* and *resource fits* among a diversified company's different businesses. The chapter concludes with a brief survey of a company's four main post-diversification strategy alternatives: (1) broadening the diversification base, (2) divesting some businesses and retrenching to a narrower diversification base, (3) restructuring the makeup of the company's business lineup, and (4) multinational diversification.

- Chapter 10 reflects the very latest in the literature on (1) whether and why a company has a *duty* to operate according to ethical standards and (2) whether and why a company has a *duty* or *obligation* to contribute to the betterment of society independent of the needs and preferences of the customers it serves. Is there a credible business case for operating ethically and/or operating in a socially responsible manner? The opening section of the chapter addresses whether ethical standards are universal (as maintained by the school of ethical universalism) or dependent on local norms and situational circumstances (as maintained by the school of ethical relativism) or a combination of both (as maintained by integrative social contracts theory). Following this is a section on the three categories of managerial morality (moral, immoral, and amoral), a section on the drivers of unethical strategies and shady business behavior, a section on the approaches to managing a company's ethical conduct, a section on linking a company's strategy to its ethical principles and core values, a section on the concept of a "social responsibility strategy," and sections that explore the business case for ethical and socially responsible behavior. The chapter will give students some serious ideas to chew on and, hopefully, make them far more ethically-conscious. It has been written as a "stand-alone" chapter that can be assigned in the early, middle, or late part of the course.
- The three-chapter module on executing strategy (Chapters 11–13) is anchored around a pragmatic, compelling conceptual framework: (1) building the resource strengths and organizational capabilities needed to execute the strategy in competent fashion; (2) allocating ample resources to strategy-critical activities; (3) ensuring that policies and procedures facilitate rather than impede strategy execution; (4) instituting best practices and pushing for continuous improvement in how value chain activities are performed; (5) installing information and operating systems that enable company personnel to better carry out their strategic roles proficiently; (6) tying rewards and incentives directly to the achievement of performance targets and good strategy execution; (7) shaping the work environment and corporate culture to fit the strategy; and (8) exerting the internal leadership needed to drive execution forward.
- We have reworked and refreshed the content all three chapters. You will see thoroughly overhauled discussions of staffing the organization, building capabilities, corporate culture, strategic leadership, and the roles of best practices and Six Sigma in facilitating the drive for operating excellence.
- As with the 14th edition, the recurring theme of these three chapters is that implementing and executing strategy entails figuring out the specific actions, behaviors, and conditions that are needed for a smooth strategy-supportive operation and then following through to get things done and deliver results—the goal here is to ensure that students understand the strategy-implementing/strategy-executing phase is a make-things-happen and make-them-happen-right kind of managerial exercise.

We have done our best to ensure that the 13 chapters hit the bull's-eye in covering the essentials of a senior/MBA course in strategy and convey the best thinking of academics and practitioners. There are new and updated "strategy in action" capsules in each chapter that tie core concepts to real-world management practice and that complement the dramatically expanded number of examples in each chapter. **Addedly, each chapter has a 'Strategic Thinking Capsule' that forces students to think through future situations with foresight and in a wholesome manner. We've provided a host of interesting chapter-end exercises that you can use as a basis for class discussion or written assignments or team presentations.** We are confident you'll find this 13-chapter presentation superior to our prior editions as concerns coverage, readability, and convincing examples. The ultimate test of the text, of course, is the positive pedagogical impact it has in the classroom. If this edition sets a more effective stage for your lectures and does a better job of helping you persuade students that the discipline of strategy merits their rapt attention, then it will have fulfilled its purpose.

THE CASE COLLECTION

The 31-case lineup in this edition is flush with interesting companies and valuable lessons for students in the art and science of crafting and executing strategy. **All the 31 cases involve companies, products, or people** that students will have heard of, know about from personal experience, or can easily identify with. There are two “dot-com” company cases and two cases involving companies with big online operations, thus giving students ample opportunity to wrestle with e-commerce strategy issues. The lineup includes cases that 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. Most of the cases involve situations where company resources and competitive capabilities play as large a role in the strategy-making, strategy-executing scheme of things as industry and competitive conditions do. Scattered throughout the lineup are cases concerning globally competitive industries, and/or cross-cultural situations. These cases, in conjunction with the globalized content of the text chapters, provide abundant material for linking the study of strategic management tightly to the ongoing globalization of the world economy. You’ll also find cases dealing with the strategic problems of family-owned or relatively small entrepreneurial businesses and cases involving public companies about which students can do further research on the Internet. 7 of the cases have accompanying videotape segments that can be shown either at the beginning of the class or during the case discussion to provide additional information and further engage students in the issues at hand.

We believe you will find the collection of 31 cases quite appealing, eminently teachable, and very suitable for drilling students in the use of the concepts and analytical treatments in Chapters 1 through 13. With this case lineup, you should have no difficulty whatsoever assigning cases that will capture the interest of students from start to finish.

ACKNOWLEDGEMENTS

We heartily acknowledge the contributions of the case researchers whose case-writing efforts appear herein and the companies whose cooperation made the cases possible. To each one goes a very special thank-you. We cannot overstate the importance of timely, carefully researched cases in contributing to a substantive study of strategic management issues and practices. From a research standpoint, strategy-related cases are invaluable in exposing the generic kinds of strategic issues which companies face, in forming hypotheses about strategic behavior, and in drawing experienced-based generalizations about the practice of strategic management. From an instructional standpoint, strategy cases give students essential practice in diagnosing and evaluating the strategic situations of companies and organizations, in applying the concepts and tools of strategic analysis, in weighing strategic options and crafting strategies, and in tackling the challenges of successful strategy execution. Without a continuing stream of fresh, well-researched, and well-conceived cases, the discipline of strategic management would lose its close ties to the very institutions whose strategic actions and behavior it is aimed at explaining. There’s no question, therefore, that first-class case research constitutes a valuable scholarly contribution to the theory and practice of strategic management.

In addition, a great number of colleagues and students at various universities, business acquaintances, and people at McGraw-Hill provided inspiration, encouragement, and counsel during the course of this project. Like all text authors in the strategy field, we are intellectually indebted to the many academics whose research and writing have blazed new trails and advanced the discipline of strategic management. The following reviewers provided seasoned advice and splendid suggestions for improving the chapters in the 15th and 16th edition packages:

- Lynne Patten, Clark Atlanta University
- Nancy E. Landrum, Morehead State University
- Jim Goes, Walden University
- Jon Kalinowski, Minnesota State University–Mankato
- Rodney M. Walter Jr., Western Illinois University
- Judith D. Powell, Virginia Union University

We also express our thanks to Seyda Deligonul, David Flanagan, Esmerelda Garbi, Mohsin Habib, Kim Hester, Jeffrey E. McGee, Diana J. Wong, F. William Brown, Anthony F. Chelte, Gregory G. Dess, Alan B. Eisner, John George, Carle M. Hunt, Theresa Marron-Grotsky, Sarah Marsh, Joshua D. Martin, William L. Moore, Donald Neubaum, George M. Puia, Amit Shah, Lois M. Shelton, Mark Weber, Steve Barndt, J. Michael Geringer, Ming-Fang Li, Richard Stackman, Stephen Tallman, Gerardo R. Ungson, James Boulgarides, Betty Diener, Daniel F. Jennings, David Kuhn, Kathryn Martell, Wilbur Mouton, Bobby Vaught, Tuck Bounds, Lee Burk, Ralph Catalanello, William Crittenden, Vince Luchsinger, Stan Mendenhall, John Moore, Will Mulvaney, Sandra Richard, Ralph Roberts, Thomas Turk, Gordon VonStroh, Fred Zimmerman, S. A. Billion, Charles Byles, Gerald L. Geisler, Rose Knotts, Joseph Rosenstein, James B. Thurman, Ivan Able, W. Harvey Hegarty, Roger Evered, Charles B. Saunders, Rhae M. Swisher, Claude I. Shell, R. Thomas Lenz, Michael C. White, Dennis Callahan, R. Duane Ireland, William E. Burr II, C. W. Millard, Richard Mann, Kurt Christensen, Neil W. Jacobs, Louis W. Fry, D. Robley Wood, George J. Gore, and William R. Soukup. These reviewers provided valuable guidance in steering our efforts to improve earlier editions.

As always, we value your recommendations and thoughts about the book. Your comments regarding coverage and contents will be taken to heart, and we always are grateful for the time you take to call our attention to printing errors, deficiencies, and other shortcomings. For this Special Indian Edition, we would like to especially thank Tapas Maji, Hemant Jha, Shalini Negi and Manohar Lal of Tata McGraw Hill for their prompt responses and excellent understanding and keeping the project on track at all times. Special thanks to Ms Nidhi Jain, Research Associate for this project, who provided assistance much beyond the call of duty. She compiled all the SIE cases, teaching notes, as well as the Strategic Thinking caselets at the end of each chapter. The EM Strasbourg School of Business (France), University of Strasbourg deserves a word of thanks for their support.

Arthur A. Thompson

A. J. Strickland

John E. Gamble

Arun K. Jain