

Fifteenth Edition

# CRAFTING & EXECUTING STRATEGY

The Quest for Competitive Advantage

CONCEPTS AND CASES

Arthur A. THOMPSON Jr.  
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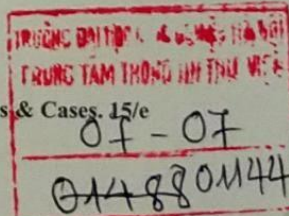


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Competitive  
Advantage  
Concepts and Cases

15th Edition

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CONCEPTS AND CASES**

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# The Preface

The hallmark of this 15th edition is a fresh, refined presentation in every chapter and a powerhouse collection of cases. 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. Pains were taken to improve and enliven the explanations of core concepts and analytical tools. The latest research findings from the literature and cutting-edge strategic practices of companies have been incorporated to keep step with both theory and practice. Scores of new examples have been added to complement the new and updated Illustration Capsules. More chapter-end exercises have been included. The result is a text treatment with more punch, greater clarity, and improved classroom effectiveness. 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 pragmatism of real-world strategic management.

Complementing the text presentation is a truly appealing lineup of 33 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 a comprehensive package of support materials that are a breeze to use, highly effective, and flexible enough to fit most any course design.

## 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 15th 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 that students can easily relate to. 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 excellent case research and case writing being done by colleagues in strategic management, this edition contains a set of high-interest cases with an 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 successfully crafting and executing strategy.

## ORGANIZATION, CONTENT, AND FEATURES OF THE TEXT CHAPTERS

The 13 chapters in this edition are arranged in the same order as the 14th edition and cover essentially the same topics. But every chapter has been given a refreshing facelift that includes the latest thinking and evidence from the literature, more refined presentations, and a greater number of current examples. The latest developments in the theory and practice of strategic management have been ingrained in every chapter to keep the content solidly in the mainstream of contemporary strategic thinking. 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, and how online technology is driving fundamental changes in both strategy and internal operations in companies across the world.

*No other leading strategy text comes close to matching our coverage of the resource-based theory of the firm.* The resource-based view of the firm is prominently and comprehensively integrated into our coverage of crafting both single-business and multibusiness strategies. Chapters 3 through 9 emphasize 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 makes it unequivocally 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 10, "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 discussions of the roles of values and ethics in Chapters 1, 2, 11, and 13, thus providing you with a meaty, comprehensive treatment of business ethics and socially responsible behavior as they apply 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 competencies and organizational resources and capabilities in creating customer value and helping build competitive advantage are *center stage* in the discussions of company resource strengths and weaknesses. SWOT analysis is cast as a simple, easy-to-use way to assess a company’s resources and overall situation. There is much-clearer coverage of value chain analysis, benchmarking, and