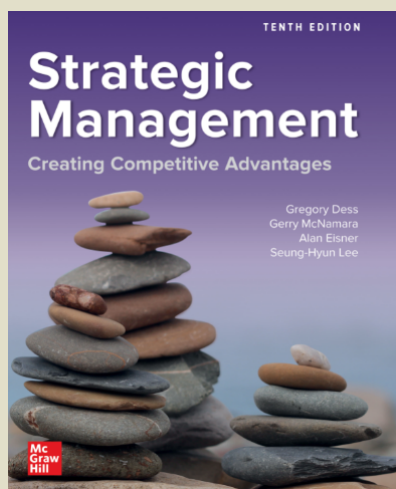


List of Changes



Strategic Management: Creating Competitive Advantages 10th Edition

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ISBN: 9781260075083 / 1260075087 / © 2021

available in

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Hill** **connect**®

We have endeavored to add new material to the chapters that reflects the feedback we have received from our reviewers as well as the challenges today's managers face. Thus, we all invested an extensive amount of time carefully reviewing a wide variety of books, academic and practitioner journals, and the business press.

We also worked hard to develop more concise and tightly written chapters. Based on feedback from some of the reviewers, we have tightened our writing style, tried to eliminate redundant examples, and focused more directly on what we feel is the most important content in each chapter for our audience. The overall result is that we were able to update our material, add valuable new content, and - at the same time - shorten the length of the chapters.

Changes in the 10th Edition

Digital Economy Theme. We discuss and illustrate how the rise in digital technologies is changing the competitive environment and how firms are enhancing their strategic position by leveraging elements of the digital economy. A few examples include:

- How Alibaba has created a sprawling e-commerce giant in Chapter 1
- How Zara is restructuring its operations to serve online customers in Chapter 3
- How Unilever uses artificial intelligence to hire the best talent in Chapter 4
- How firms use data analytics to enhance organizational control in Chapter 9

Sustainability Theme. With sustainability being an increasing concern of our students, customers, and investors, sustainability has become a key driver of organizational success. We illustrate how firms have incorporated sustainability as a core element of their strategy. A few examples include:

- How firms pro actively incorporate environmental concerns in their business practices by eliminating plastic waste in Chapter 2
- How firms are focusing on sustainability across a range of elements of the value chain and how these efforts support the attainment of long-term financial performance in Chapter 3
- How sustainable business strategies can attract and retain talent in Chapter 4
- How entrepreneurial firms are working to produce more environmentally sustainable batteries in Chapter 12

The importance of human and social capital for career and firm success. We enhance our discussion of how building and leveraging human and social capital is a core strategic activity. A few examples include:

- How women can network more effectively in Chapter 4
- How firms can build and leverage independent work teams in Chapter 9
- How firms can inspire passion in their employees in Chapter 9
- How superbosses can help employees working for them accomplish more than they ever thought possible in Chapter 11

Executive Insights: The Strategic Management Process. We introduce an in-depth interview with Mr. Usman Ghani, an internationally recognized consultant who is Chairman of Confluent C, LLC. Usman provides several practical insights into the strategic management process based on his extensive consulting experience and academic background at the Massachusetts Institute of Technology, where he earned three graduate degrees.

Over half of the 12 opening “Learning from Mistakes” vignettes that lead off each chapter are totally new. Unique to this text, they are all examples of what can go wrong, and they serve as an excellent vehicle for clarifying and reinforcing strategy concepts. After all, what can be learned if one simply admires perfection?

Half of our “Strategy Spotlights” (sidebar examples) are brand new, and many of the others have been thoroughly updated. We have a total of 60 — among the most in the strategy market. We focus on bringing the most important strategy concepts to life in a concise and highly readable manner. And we work hard to eliminate unnecessary detail that detracts from the main point we are trying to make. Also, consistent with our previous edition, many of the Spotlights focus on “hot” issues that are critical in leading today’s organizations: ethics, environmental sustainability, and the digital economy.

Key Content Changes for the Chapters Include:

Chapter 1 addresses why executives must communicate their long-term thinking to help ensure the support of investors and other stakeholders. Such an initiative has many benefits. Among these are to provide investors with two critical elements: a long-term value creation story (the past) and a long term-value creation plan (the future). Further, when a company espouses an authentic, sustainable purpose, it is more likely to attract, motivate, and retain talent—a core objective in the knowledge economy. We also address how research by Andrew Winston, founder of Winston Eco-Strategies, has demonstrated the dramatic increase in the percentage of S&P companies that have produced detailed and rigorous reports on how they manage environmental and social issues as well as how they have incorporated them into their financial reports.

Chapter 2 discusses the importance of the digital economy as a fundamental shift in the business environment. The term digital economy refers to economic transactions and business operations that are based on digital computing technologies. We highlight how the rise of the digital economy has disrupted existing industries by, for instance, reducing the asset intensity of business operations. Embracing the opportunities created by the digital economy has allowed entrepreneurs to create new business models such as ride sharing services and social networks.

Chapter 3 discusses how firms are leveraging artificial intelligence to increase the sustainability of their competitive advantages. Firms are beginning to use artificial intelligence (AI) to better assess the preferences of their customers, how customers use their products, and how to best structure the firm's operations to build and maintain competitive advantages. Using AI, these firms are able to build sustainable advantages because their resource sets are built on path dependent and socially complex processes, making imitation difficult.

Chapter 4 discusses some of the challenges that women face when it comes to networking, an activity that is vital for career advancement. Given that there are relatively fewer women in positions of leadership, it often becomes more difficult for them to find sponsors in order to make introductions and referrals. Professor Herminia Ibarra, of the London Business School, has proposed some suggestions on how women can more successfully engage in networking activities. These include making connections across diverse circles, investing time in extracurricular activities, and joining a professional women's network. We also provide examples of how companies have overcome the geographic preferences of talented professionals by building dispersed facilities and creating and maintaining formal relationships with research institutions.

Chapter 5 introduces the concept of unscaling and how firms are using it to create a combination strategy. While firms have traditionally built large-scaled operations to run as efficiently as possible in order to dominate markets, firms that pursue unscaling turn things on their head. Unscaled firms look to build small scale operations that meet the needs of particular customers as efficiently as possible, at times even more efficiently than scaled competitors. Unscaling involves both the leveraging of technology, such as artificial intelligence, and the reliance on suppliers or customers to provide critical inputs to the process. We illustrate the concept by showing how Waze, P&G, and Indochino all use unscaling to efficiently offer differentiated products and services.

Chapter 6 discusses how CEO underpayment can be a trigger for acquisitions.

Research shows that when CEOs are underpaid relative to their peer CEOs, they undertake acquisitions to grow the size of the firm and increase their compensation. Further, it appears to work for the acquiring CEOs. They do benefit by seeing their pay rise. Thus, this research provides evidence that CEOs sometimes undertake acquisitions to benefit themselves, not the stockholders of the firm.

Chapter 7 illustrates the potential of reverse innovation for the health care sector in high-income countries such as the U.S.

Reverse innovation refers to innovations that flow from low-income to high-income countries rather than the other way around. We illustrate how Indian hospital groups reconfigured their health care deliver to achieve high quality care at prices that are much lower than in the U.S. These health care innovations subsequently found great success in parts of the U.S. that resemble the problems found in low-income countries.

Chapter 8 challenges the conventional view that entrepreneurial firms are typically started by tech savvy college students or young adults.

Research shows that the average age at which entrepreneurs start businesses is in their early forties. Further, the fastest growing firms were started by entrepreneurs who were even older, with founders of fast growing firms almost three times more likely to be over fifty than under thirty.

Chapter 9 outlines disadvantages associated with outsider dominated boards of directors.

The dominant view of boards of directors is that having boards that are primarily populated with outsiders, those not employed by or tied to the firm, is beneficial since the board will then be able to better monitor the firm's CEO. However, we outline a number of disadvantages that arise with outsider dominated boards. First, the board receives less information about the firm's operations since all information is filtered through the CEO. Second, the board has greater difficulty identifying who should be the next CEO of the firm since they don't regularly interact with any executives other than the current CEO. Third, non-CEO executives miss out on opportunities to develop their strategic decision-making skills by being part of the board.

Chapter 10 discusses the power of small, independent teams in keeping the firm innovative and agile.

We draw on consultants' insights on how to structure and manage teams to make them more effective. Recommendations include keeping the size of the team small, staffing the team with top performers, empowering the team to spend their budget, holding the team accountable for their goals, and having an engaged manager.

Chapter 11 delves into the attributes of superbosses.

Superbosses not only build strong firms but also help those around them accomplish more than they ever thought possible. How do they do it? First, they strive to hire the best employees and surround themselves with unusually gifted people. They have no desire to be the smartest person in the room. Instead, Lorne Michaels, the producer of Saturday Night Live, reflected the mindset of a superboss when he said, "If you look around the room and think, 'God, these people are amazing,' then you're probably in the right room." Once they have these high skill individuals on their team, superbosses also figure out how to develop employees. We discuss several actions managers can take to identify the best candidates for their firm and ways they can act to best develop their employees.

Chapter 12 discusses the mindset needed to leverage the value of technologies in different markets. Firms often struggle in their efforts to leverage their existing technologies in new markets. We discuss a four-step process firms can employ to increase their effectiveness in leveraging their technologies in new markets. The steps redefine the technology or competency in general terms, identify new applications of the technology, select the most promising applications, and choose the best entry mode. We discuss these steps in more detail and provide an example of each in the chapter.

Chapter 13 updates our Appendix: Sources of Company and Industry

Information. As always, the authors owe a huge debt of gratitude to Ms. Ruthie Brock, of the University of Texas at Arlington. She has provided us with comprehensive and updated information for the Tenth Edition that is organized on a wide range of issues. These include competitive intelligence, annual report collections, company rankings, business websites, as well as strategic and competitive analysis.

