



Crafting & Executing Strategy: The Quest for Competitive Advantage, Concepts, 22nd edition

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KEY DIFFERENTIATING FEATURES

Eight standout features strongly differentiate this text and the accompanying instructional package from others in the field:

- 1. Our integrated coverage of the two most popular perspectives on strategic management—positioning theory and resource-based theory—is unsurpassed by any other leading strategy text.** Principles and concepts from both the positioning perspective and the resource-based perspective are prominently and comprehensively integrated into our coverage of crafting both single-business and multi-business strategies. By highlighting the relationship between a firm's resources and capabilities to the activities it conducts along its value chain, we show explicitly how these two perspectives relate to one another. Moreover, in Chapters 3 through 8 it is emphasized repeatedly that a company's strategy must be matched not only to its external market circumstances but also to its internal resources and competitive capabilities.
- 2. With this new edition, we provide the clearest, easiest to understand presentation of the value-price-cost framework.** In recent years, this framework has become an essential aid to

teaching students how companies create economic value in the course of conducting business. We show how this simple framework informs the concept of the business model as well as the all-important concept of competitive advantage. In Chapter 5, we add further clarity by showing in pictorial fashion how the value-price-cost framework relates to the different sources of competitive advantage that underlie the five generic strategies.

3. **Our coverage of cooperative strategies and the role that interorganizational activity can play in the pursuit of competitive advantage, is similarly distinguished.** The topics of the value net, ecosystems, strategic alliances, licensing, joint ventures, and other types of collaborative relationships are featured prominently in a number of chapters and are integrated into other material throughout the text. We show how strategies of this nature can contribute to the success of single-business companies as well as multi-business enterprises, whether with respect to firms operating in domestic markets or those operating in the international realm.
4. **The attention we give to international strategies, in all their dimensions, make this textbook an indispensable aid to understanding strategy formulation and execution in an increasingly connected, global world.** Our treatment of this topic as one of the most critical elements of the scope of a company's activities brings home to students the connection between the topic of international strategy with other topics concerning firm scope, such as multi-business (or corporate) strategy, outsourcing, insourcing, and vertical integration.
5. **With a standalone chapter devoted to this topic, our coverage of business ethics, corporate social responsibility, and environmental sustainability goes well beyond that offered by any other leading strategy text.** Chapter 9, "Ethics, Corporate Social Responsibility, Environmental Sustainability, and Strategy," fulfills the important functions of (1) alerting students to the role and importance of ethical and socially responsible decision making and (2) addressing the accreditation requirement of the AACSB International that business ethics be visibly and thoroughly embedded in the core curriculum. Moreover, discussions of the roles of values and ethics are integrated into portions of other chapters, beginning with the first chapter, to further reinforce why and how considerations relating to ethics, values, social responsibility and sustainability should figure prominently into the managerial task of crafting and executing company strategies.
6. **The case collection in the 22nd edition is truly unrivaled from the standpoints of student appeal, teachability, and suitability for drilling students in the use of the concepts and analytical treatments in Chapters 1 through 12.** This version is concepts only. We also publish a concepts and cases version that includes a case selection of 32 cases. The ample information about the cases in the Instructor's Manual makes it effortless to select a set of cases each term that will capture the interest of students from start to finish.
7. **The text is now more tightly linked McGraw-Hill's trailblazing web-based assignment and assessment platform called Connect™.** This will enable professors to gauge class members' prowess in accurately completing (a) selected chapter-end exercises, (b) chapter-end quizzes, and (c) the creative author-developed exercises for seven of the cases in this edition.
8. **Two cutting-edge and widely used strategy simulations—The Business Strategy Game and GLO-BUS—are optional companions to the 22nd edition.** These give you an unmatched capability to employ a text-case-simulation model of course delivery.

Chapter by Chapter Details on the Organization, Content, and Features

Chapter 1 serves as a brief, general introduction to the topic of strategy, focusing on the central questions of “What is strategy?” and “Why is it important?” Using the newly added example of Apple, Inc., to drive home the concepts in this chapter, we introduce students to what we mean by “competitive advantage” and the key features of business-level strategy. Describing strategy making as a process, we explain why a company’s strategy is partly planned and partly reactive and why a strategy tends to co-evolve with its environment over time. We discuss the importance of ethics in choosing among strategic alternatives and introduce the concept of a business model. We show that a viable business model must provide both an attractive value proposition for the company’s customers and a formula for making profits for the company. A key feature of this chapter is a depiction of how the value-price-cost framework can be used to frame this discussion. We show how the mark of a winning strategy is its ability to pass three tests: (1) the fit test (for internal and external fit), (2) the competitive advantage test, and (3) the performance test. And we explain why good company performance depends not only upon a sound strategy but upon solid strategy execution as well.

Chapter 2 presents a more complete overview of the strategic management process, covering topics ranging from the role of vision, mission, and values to what constitutes good corporate governance. It introduces students to such core concepts as strategic versus financial objectives, the balanced scorecard, strategic intent, and business-level versus corporate-level strategies. It explains why all managers are on a company’s strategy-making, strategy-executing team and why a company’s strategic plan is a collection of strategies devised by different managers at different levels in the organizational hierarchy. The chapter concludes with a section on the role of the board of directors in the strategy-making, strategy-executing process and examines the conditions that have led to recent high-profile corporate governance failures. The illustration capsule on Volkswagen’s emissions scandal brings this section to life.

Chapter 3 and 4 introduce students to the two most fundamental perspectives on strategy making: the positioning view, exemplified by Michael Porter’s “five forces model of competition”; and the resource-based view. **Chapter 3** provides what has long been the clearest, most straightforward discussion of the five forces framework to be found in any text on strategic management. It also offers a set of complementary analytical tools for conducting competitor analysis, identifying strategic groups along with the mobility barriers that limit movement among them, and demonstrates the importance of tailoring strategy to fit the circumstances of a company’s industry and competitive environment. The chapter includes a discussion of the value net framework, which is useful for conducting analysis of how cooperative as well as competitive moves by various parties contribute to the creation and capture of value in an industry.

Chapter 4 presents the resource-based view of the firm, showing why resource and capability analysis is such a powerful tool for sizing up a company’s competitive assets. It offers a simple framework for identifying a company’s resources and capabilities and explains how the VRIN framework can be used to determine whether they can provide the company with a sustainable competitive advantage over its competitors. Other topics covered in this chapter include dynamic capabilities, SWOT analysis, value chain analysis, benchmarking, and competitive strength assessments, thus enabling a solid appraisal of a company’s cost position and customer value proposition vis-à-vis its rivals. An important feature of 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 sets forth the basic approaches available for competing and winning in the marketplace in terms of the five generic competitive strategies—broad low-cost, broad differentiation, best-cost, focused differentiation, and focused low cost. It demonstrates pictorially the link between generic strategies, the value-price-cost framework, and competitive advantage. The chapter also describes when each of the five approaches works best and what pitfalls to avoid. Additionally, it explains the role of cost drivers and uniqueness drivers in reducing a company's costs and enhancing its differentiation, respectively.

Chapter 6 focuses on other strategic actions a company can take to complement its competitive approach and maximize the power of its overall strategy. These include a variety of offensive or defensive competitive moves, and their timing, such as blue-ocean strategies and first-mover advantages and disadvantages. It also includes choices concerning the breadth of a company's activities (or its scope of operations along an industry's entire value chain), ranging from horizontal mergers and acquisitions, to vertical integration, outsourcing, and strategic alliances. This material serves to segue into the scope issues covered in the next two chapters on international and diversification strategies.

Chapter 7 takes up the topic of how to compete in international markets. It begins with a discussion of why differing market conditions across countries must necessarily influence a company's strategic choices about how to enter and compete in foreign markets. It presents five major strategic options for expanding a company's geographic scope and competing in foreign markets: export strategies, licensing, franchising, establishing a wholly owned subsidiary via acquisition or "greenfield" venture, and alliance strategies. It includes coverage of topics such as Porter's Diamond of National Competitive Advantage, multi-market competition, and the choice between multi-domestic, global, and transnational strategies. This chapter explains the impetus for sharing, transferring, or accessing valuable resources and capabilities across national borders in the quest for competitive advantage, connecting the material to that on the resource-based view from Chapter 4. The chapter concludes with a discussion of the unique characteristics of competing in developing-country markets.

Chapter 8 concerns strategy making in the multi-business company, introducing the topic of corporate-level strategy with its special focus on diversification. The first portion of this chapter describes when and why diversification makes good strategic sense, the different means of diversifying a company's business lineup, and the pros and cons of related versus unrelated diversification strategies. The second part of the chapter looks at how to evaluate the attractiveness of a diversified company's business lineup, how to decide whether it has a good diversification strategy, and what strategic options are available for improving a diversified company's future performance. The evaluative technique integrates material concerning both industry analysis and the resource-based view, in that it considers the relative attractiveness of the various industries the company has diversified into, the company's competitive strength in each of its lines of business, and the extent to which its different businesses exhibit both strategic fit and resource fit.

Chapter 9 brings more direct attention to such issues and may be used as a stand-alone assignment in either the early, middle, or late part of a course. It concerns the themes of ethical standards in business, approaches to ensuring consistent ethical standards for companies with international operations, corporate social responsibility, and environmental sustainability. The contents of this chapter are sure to give students some things to ponder, rouse lively discussion, and help to make students more ethically aware and conscious of why all companies should conduct their business in a socially responsible and sustainable manner.

Chapters 10, 11, and 12 comprise a module on strategy execution that is presented in terms of a 10 step action framework.

Chapter 10 provides an overview of this framework and then explores the first three of these tasks: (1) Staffing the organization with people capable of executing the strategy well, (2) building the organizational capabilities needed for successful strategy execution, and (3) creating an organizational structure supportive of the strategy execution process.

Chapter 11 discusses five additional managerial actions that advance the cause of good strategy execution: (1) allocating resources to enable the strategy execution process, (2) ensuring that policies and procedures facilitate rather than impede strategy execution, (3) using process management tools and best practices to drive continuous improvement in the performance of value chain activities, (4) installing information and operating systems that help company personnel carry out their strategic roles, and (5) using rewards and incentives to encourage good strategy execution and the achievement of performance targets.

Chapter 12 completes the 10-step framework with a consideration of the importance of creating a healthy corporate culture and exercising effective leadership in promoting good strategy execution. The recurring theme throughout the final three chapters is that executing strategy involves deciding on the specific actions, behaviors, and conditions 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 that the strategy-executing phase is a make-things-happen and make-them-happen-right kind of managerial exercise—one that is critical for achieving operating excellence and reaching the goal of strong company performance.