

Preface

The defining trait of this European edition is an invigorated and much sharpened presentation of the material in each of the 12 chapters, with an as up-to-date and engaging discussion of the core concepts and analytical tools as you will find anywhere. All this has been tailored specifically for our European readers. Complementing the text chapters is a fresh, engrossing collection of cases to ignite interest in strategy, translate enthusiasm into learning achievements and enable you to shine in the classroom.

This edition represents one of our most important and thoroughgoing revisions ever. The new author team has revised the text thoroughly throughout to bring it up to date and make it better suited for courses run in Europe. The overriding objectives were to inject new perspectives and the best academic thinking, strengthen linkages to the latest research findings, modify the coverage and exposition as needed to ensure the most relevant content, and give every chapter a major facelift. While this European edition retains the 12-chapter structure of the prior edition, every chapter has been totally refreshed. Coverage was trimmed in some areas and expanded in others. New material has been added. The presentations of some topics were recast, others fine-tuned and still others left largely intact. As with past editions, scores of new examples have been added, along with fresh Illustration Capsules, to make the content come alive and to provide a ringside view of strategy in action. We have also added new cases to begin and end each chapter to help put the key issues in context and demonstrate how strategy works in real life. You will also find coverage of the latest research, emerging issues and current practice. But none of the changes have altered the fundamental character that has driven the text's success over three decades. The chapter content continues to be solidly mainstream and balanced, mirroring *both* the penetrating insight of academic thought and the pragmatism of real-world strategic management. And, as always, we have taken great care to keep the chapters very reader-friendly and exceptionally teachable.

A differentiating feature of this text has always been the tight linkage between the content of the chapters and the cases. The line-up of cases that accompany the European edition is outstanding in this respect – an appealing mix of strategically relevant and thoughtfully crafted cases, certain to engage students and sharpen their skills in applying the concepts and tools of strategic analysis. Many involve high-profile companies that the students will immediately recognize and relate to; all are framed around key strategic issues and serve to add depth and context to the topical content of the chapters.

For some years now, growing numbers of business schools world-wide have been moving from a purely text-case course structure to a more robust and energizing text-case-simulation course structure. Incorporating a competition-based strategy simulation has the strong appeal of providing class members with an immediate and engaging opportunity to apply the concepts and analytical tools covered in the chapters and to become personally involved in crafting and executing a strategy for a virtual company that they have been assigned to manage and that competes head-to-head with companies run by other class members. Two widely used and pedagogically effective online strategy simulations, the *Business Strategy Game (BSG)* and *GLO-BUS*, are optional companions for this text. Both simulations were created by this text's senior author and, like the cases, are closely linked to the content of each chapter in the text. The Exercises for Simulation Participants, found at the end of each chapter, provide clear guidance to students in applying the concepts and analytical tools covered in the chapters to the issues and decisions that they have to wrestle with in managing their simulation company.

Through our experiences as lecturers, we understand the assessment demands on instructors teaching strategic management and business policy courses. The European edition includes a set of Assurance of Learning Exercises at the end of each chapter that link to the

specific learning objectives appearing at the beginning of each chapter and highlighted throughout the text. *An important new instructional feature of the European edition is the linkage of selected chapter-end Assurance of Learning Exercises to the publisher's web-based assignment and assessment platform called Connect.* Students can use the online Connect supplement to (1) complete two or three of the Assurance of Learning Exercises appearing at the end of each of the 12 chapters, (2) complete chapter-end quizzes, and (3) enter their answers to a select number of the suggested assignment questions.

In addition, both of the companion strategy simulations have a built-in Learning Assurance Report that quantifies how well students performed on nine skills/learning measures *versus tens of thousands of other students world-wide* who completed the simulation in the past 12 months. The chapter-end Assurance of Learning Exercises, the all-new online and Connect exercises, and the Learning Assurance Report generated at the conclusion of the *BSG* and *GLO-BUS* simulations provides lecturers with easy-to-use, empirical measures of student learning in their course. All can be used in conjunction with other instructor-developed or school-developed scoring rubrics and assessment tools to comprehensively evaluate course or programme learning outcomes and measure compliance with the Association to Advance Collegiate Schools of Business (AACSB) accreditation standards.

Taken together, the various components of the European edition package and the supporting set of instructor and student resources provide enormous course design flexibility and a powerful kit of teaching/learning tools.

Revitalized and Effective Content: The Signature of the European Edition

Our objective in undertaking a major revision of this text was to ensure that its content was current, with respect to both scholarship and managerial practice, and was presented in as clear and compelling a fashion as possible. We established five criteria for meeting this objective, namely, that the final product must:

- Explain core concepts in language that students can grasp and provide first-rate examples of their relevance and use by actual companies.
- Thoroughly explain the tools of strategic analysis, how they are used and where they fit into the managerial process of crafting and executing strategy.
- Incorporate the latest developments in the theory and practice of strategic management in every chapter to keep the content solidly in the mainstream of contemporary strategic thinking – but also provide some challenges to these views from academia and practice.
- Focus squarely on what every student needs to know about crafting and executing business strategies in today's market environments.
- Provide an attractive set of contemporary cases that involve headline strategic issues and give students ample opportunity to apply what they have learned from the chapters.

We believe the European edition meets all five criteria. Chapter discussions are to the point but, at the same time, our explanations of core concepts and analytical tools are covered in enough depth to make them understandable and usable. Chapter content is driven by including well-settled strategic management principles, fresh examples that illustrate the principles through the practices of real-world companies, recent research findings and contributions to the literature on strategic management and the latest thinking from prominent academics and practitioners. There is a logical flow from one chapter to the next, as well as an unparalleled set of cases with which to illustrate the key points and concepts in practice.

Six stand-out features strongly differentiate this text and the accompanying instructional package from others in the field:

1. *Our coverage of the resource-based theory of the firm in the European edition is unsurpassed by any other leading strategy text.* Resourced-base view (RBV) principles and

concepts are prominently and comprehensively integrated into our coverage of crafting both single business and multibusiness strategies. In Chapters 3–8 it is repeatedly emphasized that a company’s strategy must be matched *not only* to its external market circumstances *but also* to its internal resources and competitive capabilities. Moreover, an RBV perspective is thoroughly integrated into the presentation on strategy execution (Chapters 10, 11 and 12) to make it unequivocally clear how and why the tasks of assembling intellectual capital and building core competences and competitive capabilities are absolutely critical to successful strategy execution and operating excellence.

2. *Our coverage of the relational view, which focuses on co-operative strategies and the role that interorganizational activity can play in the pursuit of competitive advantage, is similarly unsurpassed by other leading texts.* The topics of alliances, joint ventures, franchising and other types of co-operative and collaborative relationships are featured prominently in a number of chapters and are integrated into other material throughout the text as well. We show how strategies of this nature can contribute to the success of single business companies as well as multibusiness enterprises. And while we begin with coverage of such topics with respect to firms operating in domestic markets, we extend our discussion of this material to the international realm as well.
3. *Our coverage of business ethics, core values, social responsibility and environmental sustainability is unsurpassed by any other leading strategy text.* In this new edition, we have embellished the highly important chapter ‘Ethics, Corporate Social Responsibility, Environmental Sustainability and Strategy’ with fresh content so that it can better fulfil 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 to further reinforce why and how considerations relating to ethics, values, social responsibility and sustainability should figure prominently in the managerial task of crafting and executing company strategies.
4. *The calibre of the case collection in the European edition is first rate from the standpoints of student appeal, teachability and suitability for drilling students in the use of the concepts and analytical treatments in Chapters 1–12.* The cases included in this edition are the very latest, the best and the most on target that we could find. They range from well-known multinationals and global brands to small- to medium-sized enterprises (SMEs) and a range of sectors including not-for-profit and services and tourism. Many of them have been tested in undergraduate and postgraduate classes over the last two years and modified as a result.
5. *The text is paired with the publisher’s innovative web-based assignment and assessment platform called Connect.* This will enable lecturers to gauge students’ ability in accurately completing a range of interactive exercises written for this edition.
6. *Two cutting-edge and widely used strategy simulations – the BSG and GLO-BUS – are optional companions to the European edition.* These give you unmatched capability to employ a text-case-simulation model of course delivery.

Organization, Content and Features of the European-Edition Text Chapters

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

- Although Chapter 1 continues to focus on the central questions of ‘*What is strategy?*’ and ‘*Why is it important?*’ the presentation of this material has been sharpened considerably, with more concise definitions of the key concepts and significant updating to improve the currency of the material. We introduce students to the primary approaches to building competitive advantage and the key elements of business-level strategy. Following Henry Mintzberg’s process approach, we explain why a company’s strategy is partly planned and partly reactive and why a strategy and its environment tend to co-evolve over time. We

discuss the importance of a viable business model that outlines the company's customer value proposition and its profit formula, framing this discussion in terms of key elements of value, price and cost. 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 on good strategy execution as well as a sound strategy. In short, this brief chapter is a perfect accompaniment for your opening-day lecture on what the course is all about and why it matters.

- Chapter 2 delves more deeply into the managerial process of actually crafting and executing a strategy. 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) developing strategic as well as financial objectives with which to 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 and core values, the balanced scorecard, strategic intent and business-level versus corporate-level strategies. There is a robust discussion of 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 ends with a section on how to exercise good corporate governance and examines the conditions that led to recent high-profile corporate governance failures.
- Chapter 3 sets on 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 stand-out feature of this chapter is a presentation of Michael Porter's 'five-forces model of competition' *that has long been the clearest, most straightforward discussion of any text in the field*. The text here has been enhanced by introducing a more critical assessment of industry analysis in the light of more recent ideas and concepts such as hyper-competition and opportunities for collaboration. This edition also provides expanded coverage of a company's macro-environment, moving beyond the basic PESTEL/STEEPLE style analysis by introducing students to Scenario Planning and the need to be alert to 'weak signals' – especially important after the events of 2007/8.
- Chapter 4 presents the resource-based view of the firm and convincingly argues why a company's strategy must be built around its most competitively valuable resources and capabilities. We provide students with a simple taxonomy for identifying a company's resources and capabilities and frame our discussion of how a firm's resources and capabilities can provide a sustainable competitive advantage with the *VRIN model*. We introduce the notion of a company's *dynamic capabilities* and cast SWOT (strengths, weaknesses, opportunities, threats) analysis as a simple, easy-to-use way to assess a company's overall situation in terms of its ability to seize market opportunities and ward off external threats. There is solid coverage of value chain analysis, benchmarking and competitive strength assessments – standard tools for appraising a company's relative cost position and customer value proposition *vis-à-vis* 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 deals with the basic approaches used to compete successfully and gain a competitive advantage over market rivals. This discussion is framed around the five generic competitive strategies – low-cost leadership, differentiation, best-cost provider, focused differentiation and focused low cost. We emphasize that regardless of a company's choice, competitive success depends on a company's capacity to deliver more customer value – one way or another. We provide a fuller treatment of *cost drivers* and *uniqueness drivers*

as the keys to bringing down a company's cost and enhancing its differentiation, respectively, in support of this overall goal. This section also introduces a range of other generic strategy approaches which build on the classic framework above.

- Chapter 6 continues the theme of competitive strategies for single-business firms with its spotlight on *strategic actions (offensive and defensive) and their timing*, including Blue ocean strategies and first-mover advantages and disadvantages. It also serves to segue into the material covered in the next two chapters (on international and diversification strategies) by introducing the topic of *strategies that alter a company's scope of operations*. The chapter features sections on the strategic benefits and risks of horizontal mergers and acquisitions, vertical integration and outsourcing of certain value chain activities. The concluding section of this chapter covers the advantages and drawbacks of using strategic alliances and co-operative arrangements to alter a company's scope of operations, with some pointers on how to make strategic alliances work.
- Chapter 7 explores the full range of strategy 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. In the European edition, we have added new coverage of topics such as Porter's *Diamond of National Advantage*; the choice between *multidomestic, global, and transnational strategies*; *profit sanctuaries* and cross-border strategic moves; and *the quest for competitive advantage via sharing, transferring, or accessing valuable resources and capabilities across national borders*. The chapter concludes with a discussion of the special issues of competing in the markets of developing countries and the strategies that local companies can use to defend against global giants.
- Chapter 8 introduces the topic of corporate-level strategy – a topic of concern for multi-business companies pursuing diversification. This chapter begins by explaining why successful diversification strategies must create shareholder value and lays out the three essential tests that a strategy must pass to achieve this goal (*the industry attractiveness, cost-of-entry and better-off tests*). We discuss alternative means of entering new businesses (acquisition, internal start-up or joint venture) and offer a method for discerning which choice is a firm's best option. Then we turn our attention to a comparison of related versus unrelated diversification strategies, showing that they differ in terms of the nature of their critical resources (*specialized versus general parenting capabilities*) and whether they can exploit cross-business strategic fit for competitive gain. The chapter's analytical spotlight is trained on the techniques and procedures for assessing the strategic attractiveness of a diversified company's business portfolio – 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 there is *strategic fit* and *resource fit* among its different businesses. The chapter concludes with a brief survey of a company's four main post-diversification strategy alternatives: (1) sticking closely with the existing business line-up; (2) broadening the diversification base; (3) divesting some businesses and retrenching to a narrower diversification base; and (4) restructuring the make-up of the company's business line-up.
- Chapter 9 reflects the very latest in the literature on (1) a company's duty to operate according to ethical standards; (2) a company's obligation to demonstrate socially responsible behaviour and corporate citizenship; and (3) why more companies are limiting strategic initiatives to those that meet the needs of consumers in a manner that protects natural resources and ecological support systems needed by future generations. The discussion includes approaches to ensuring consistent ethical standards for companies with international operations. The contents of this chapter will definitely give students some things to ponder and will help to make them more *ethically aware* and conscious of *why all companies should conduct their business in a socially responsible and sustainable manner*. Chapter 9 has been written as a stand-alone chapter that can be assigned in the early, middle or late part of the course.

- Chapter 10 begins a three-chapter module on executing strategy (Chapters 10–12), anchored around a pragmatic, compelling conceptual framework. Chapter 10 presents an overview of this 10-step framework and then develops the first three pieces of it; (1) *staffing the organization* with capable managers and employees; (2) *marshalling the resources and building the organizational capabilities* required for successful strategy execution; and (3) *creating a strategy-supportive organizational structure* and structuring the work effort. We discuss three approaches to building and strengthening a company's capabilities, ranging from internal development to acquisitions to collaborative arrangements, and consider outsourcing as an option for structuring the work effort. We argue for matching a company's organizational structure to its strategy execution requirements, describe four basic types of organizational structures (simple, functional, multidivisional and matrix) and discuss centralized versus decentralized decision-making. We conclude with some further perspectives on facilitating collaboration with external partners and structuring the company's work effort.
- Chapter 11 covers five important topics concerning strategy execution: (1) *allocating ample resources* to strategy-critical activities; (2) ensuring that *policies and procedures* facilitate rather than impede strategy execution; (3) employing *process management tools* and adopting *best practices* to drive continuous improvement in the performance of value chain activities; (4) installing *information and operating systems* that enable company personnel to better carry out their strategic roles proficiently; and (5) tying *rewards and incentives* directly to good strategy execution and the achievement of performance targets.
- Chapter 12 concludes the text with a discussion of corporate culture and leadership in relation to good strategy execution. The recurring theme throughout the final three chapters is that implementing strategy entails figuring out the specific actions, behaviours 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 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.

These 12 chapters convey the best thinking of academics and practitioners in the field of strategic management. The ultimate test of the text, of course, is the positive pedagogical impact it has in seminars and lectures.

The Case Collection

The case line-up in this edition is full of interesting companies and valuable lessons for students in the art and science of crafting and executing strategy. There are shorter cases, such as the chapter opening and closing cases, and much longer ones at the back of the book to meet every need.

Some of the cases feature global brands and well-recognized names, others are about small to medium-sized enterprises (SMEs). We have tried to make the cases as diverse as possible to allow students to appreciate strategy in a range of organizations, from public sector and not-for-profit to family businesses, entrepreneurial start-ups and multinationals. The line-up 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 manoeuvring among rivals comes fast and furious. Some of the cases involve situations in which 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. Most cases are from Europe but there are also plenty of international cases too to reflect the globalization of the world economy. This wide array of cases and examples are designed to give a well-rounded picture of contemporary and classic strategy.

The Two Strategy Simulation Supplements: The *BSG* and *GLO-BUS*

The *BSG* and *GLO-BUS: Developing Winning Competitive Strategies* – two competition-based strategy simulations that are delivered online and that feature automated processing and grading of performance – are available for use with the European edition.

- The *Business Strategy Game* is the world's most popular strategy simulation, having been used in courses involving over 600 000 students at more than 700 university campuses in over 40 countries.
- *GLO-BUS*, a somewhat simpler strategy simulation introduced in 2004, has been used at more than 400 university campuses world-wide in courses involving over 120 000 students.

How the Strategy Simulations Work

In both the *BSG* and *GLO-BUS*, class members are divided into teams of one to five persons and assigned to run a company that competes head-to-head against companies run by other class members.

- In *BSG*, team members run an athletic footwear company, producing and marketing both branded and private-label footwear.
- In *GLO-BUS*, team members operate a digital camera company that designs, assembles and markets entry-level digital cameras and upscale, multifeatured cameras.

In both simulations, companies compete in a global market arena, selling their products in four geographic regions – Europe-Africa, North America, Asia-Pacific and Latin America. Each management team is called upon to craft a strategy for their company and make decisions relating to plant operations, workforce compensation, pricing and marketing, social responsibility/citizenship and finance.

Company co-managers are held accountable for their decision-making. Each company's performance is scored on the basis of earnings per share, return on equity investment, stock price, credit rating and image rating. Rankings of company performance, along with a wealth of industry and company statistics, are available to company co-managers after each decision round to use in making strategy adjustments and operating decisions for the next competitive round. You can be certain that the market environment, strategic issues and operating challenges that company co-managers must contend with are *very tightly linked* to what your class mates will be reading about in the text chapters. The circumstances that co-managers face in running their simulation company embrace the very concepts, analytical tools and strategy options they encounter in the text chapters (this is something you can quickly confirm by skimming through some of the Exercises for Simulation Participants that appear at the end of each chapter).

We suggest that you complete 1 or 2 practice rounds and anywhere from 4 to 10 regular (scored) decision rounds (more rounds are better than fewer rounds). Each decision round represents a year of company operations and will entail roughly two hours of time for company co-managers to complete. In traditional 12-week, semester-long courses, there is merit in scheduling one decision round per week. In courses that run 5–10 weeks, it is wise to schedule two decision rounds per week for the last several weeks of the term (sample course schedules are provided for courses of varying length and varying numbers of class meetings).

When the instructor-specified deadline for a decision round arrives, the simulation server automatically accesses the saved decision entries of each company, determines the competitiveness and buyer appeal of each company's product offering relative to the other companies being run by students in your class, and then awards sales and market shares to the competing companies, geographic region by geographic region. The unit sales volumes awarded to each company *are totally governed by*:

- how its prices compare against the prices of rival brands;
- how its product quality compares against the quality of rival brands;
- how its product line breadth and selection compare;
- how its advertising effort compares;
- and so on, for a total of 11 competitive factors that determine unit sales and market shares.

The competitiveness and overall buyer appeal of each company's product offering *in comparison to the product offerings of rival companies* is all-decisive – this algorithmic feature is what makes *BSG* and *GLO-BUS* 'competition-based' strategy simulations. Once each company's sales and market shares are awarded based on the competitiveness of its respective overall product offering, the various company and industry reports detailing the outcomes of the decision round are then generated. Company co-managers can access the results of the decision round 15–20 minutes after the decision deadline.

The Compelling Case for Incorporating Use of a Strategy Simulation

There are *three exceptionally important benefits* associated with using a competition-based simulation in strategy courses:

1. *A three-pronged text-case-simulation course model delivers significantly more teaching learning power than the traditional text-case model.* Using *both* cases and a strategy simulation to drill students in thinking strategically and applying what they read in the text chapters is a stronger, more effective means of helping them connect theory with practice and develop better business judgement. What cases do that a simulation cannot is to give class members broad exposure to a variety of companies and industry situations and insight into the kinds of strategy-related problems managers face. But what a competition-based strategy simulation does far better than case analysis is thrust class members squarely into *an active, hands-on managerial role* where they are totally responsible for assessing market conditions, determining how to respond to the actions of competitors, forging a long-term direction and strategy for their company and making all kinds of operating decisions. Because they are held fully accountable for their decisions and their company's performance, *co-managers are strongly motivated* to dig deeply into company operations, probe for ways to be more cost-efficient and competitive and ferret out strategic moves and decisions calculated to boost company performance. *Consequently, incorporating both case assignments and a strategy simulation to develop the skills of class members in thinking strategically and applying the concepts and tools of strategic analysis turns out to be more pedagogically powerful than relying solely on case assignments – there is stronger retention of the lessons learned and better achievement of course learning objectives.*

To provide you with quantitative evidence of the learning that occurs with using the *BSG* or *GLO-BUS*, there is a built-in Learning Assurance Report showing how well each class member performs on nine skills/learning measures versus tens of thousands of students world-wide who have completed the simulation in the past 12 months.

2. *The competitive nature of a strategy simulation arouses positive energy and steps up the whole tempo of the course by a notch or two.* Nothing sparks excitement quicker or better than the concerted efforts on the part of class members at each decision round to achieve a high industry ranking and avoid the perilous consequences of being outcompeted by other students. Students really enjoy taking on the role of a manager, running their own company, crafting strategies, making all kinds of operating decisions, trying to outcompete rival companies and getting immediate feedback on the resulting company performance. Lots of back-and-forth chatter occurs when the results of the latest simulation round become available and co-managers renew their quest for strategic moves and actions that will strengthen company performance. Co-managers become *emotionally invested* in running their company and figuring out what strategic moves to make to boost

their company's performance. Interest levels climb. All this stimulates learning and causes students to see the practical relevance of the subject matter and the benefits of taking your course. This translates into a *livelier, richer learning experience from a student perspective and better instructor course evaluations*.

3. *Use of a fully automated online simulation reduces the time lecturers spend on course preparation, course administration and grading.* Since the simulation exercise involves a 20- to 30-hour workload for student teams (roughly two hours per decision round times 10–12 rounds, plus optional assignments), simulation adopters often compensate by trimming the number of assigned cases from, say, 10–12 to perhaps 4–6. This significantly reduces the time instructors spend reading cases, studying teaching notes and otherwise getting ready to lead class discussion of a case or grade oral team presentations. Course preparation time is further cut because you can use several class days to have students meet in the computer lab to work on upcoming decision rounds or a three-year strategic plan (in lieu of lecturing on a chapter or covering an additional assigned case). Not only does use of a simulation permit assigning fewer cases, but it also permits you to eliminate at least one assignment that entails considerable grading on your part. Grading one less written case or essay exam or other written assignment saves enormous time. With *BSG* and *GLO-BUS*, grading is effortless and takes only minutes; once you enter percentage weights for each assignment in your online grade book, a suggested overall grade is calculated for you. You will be pleasantly surprised – and quite pleased – at how little time it takes to gear up for and to administer the *BSG* or *GLO-BUS*.

In sum, incorporating use of a strategy simulation turns out to be a *win-win proposition for both students and instructors*. Moreover, a very convincing argument can be made that a competition-based strategy simulation is *the single most effective teaching/learning tool that instructors can employ to teach the discipline of business and competitive strategy, to make learning more enjoyable and to promote better achievement of course learning objectives*.

A Bird's-eye View of the *BSG*

The setting for the *BSG* is the global athletic footwear industry (there can be little doubt in today's world that a globally competitive strategy simulation is *vastly superior* to a simulation with a domestic-only setting). Global market demand for footwear grows at the rate of 7–9 per cent annually for the first five years and 5–7 per cent annually for the second five years. However, market growth rates vary by geographic region – Europe-Africa, North America, Latin America and Asia-Pacific.

Companies begin the simulation producing branded and private-label footwear in two plants, one in North America and one in Asia. They have the option to establish production facilities in Latin America and Europe-Africa, either by constructing new plants or by buying previously constructed plants that have been sold by competing companies. Company co-managers exercise control over production costs on the basis of the styling and quality they opt to manufacture, plant location (wages and incentive compensation vary from region to region), the use of best practices and Six Sigma programmes to reduce the production of defective footwear and to boost worker productivity, and compensation practices.

All newly produced footwear is shipped in bulk containers to one of four geographic distribution centres. All sales in a geographic region are made from footwear inventories in that region's distribution centre. Costs at the four regional distribution centres are a function of inventory storage costs, packing and shipping fees, import tariffs paid on incoming pairs shipped from foreign plants and exchange rate impacts. At the start of the simulation, import tariffs average \$3 per pair in Europe-Africa, \$4 per pair in Latin America and \$5 in the Asia-Pacific region. However, the Free Trade Treaty of the Americas allows tariff-free movement of footwear between North America and Latin America. Instructors have the option to alter tariffs as the game progresses.

Companies market their brand of athletic footwear to footwear retailers world-wide and to individuals buying online at the company's website. Each company's sales and market share in the branded footwear segments hinges on its competitiveness on 11 factors: attractive

pricing; footwear styling and quality; product line breadth; advertising; use of mail-in rebates; appeal of celebrities endorsing a company's brand; success in convincing footwear retailers to carry its brand; number of weeks it takes to fill retailer orders, effectiveness of a company's online sales effort at its website; and customer loyalty. Sales of private-label footwear hinge solely on being the low-price bidder.

All told, company co-managers make as many as 53 types of decisions each period that cut across production operations (up to 10 decisions per plant, with a maximum of four plants), plant capacity additions/sales/upgrades (up to 6 decisions per plant), worker compensation and training (3 decisions per plant), shipping (up to 8 decisions per plant), pricing and marketing (up to 10 decisions in four geographic regions), bids to sign celebrities (2 decision entries per bid), financing of company operations (up to 8 decisions) and corporate social responsibility and environmental sustainability (up to 6 decisions).

Each time company co-managers make a decision entry, an assortment of on-screen calculations instantly shows the projected effects on unit sales, revenues, market shares, unit costs, profit, earnings per share, return on equity (ROE) and other operating statistics. The on-screen calculations help team members evaluate the relative merits of one decision entry versus another and put together a promising strategy.

Companies can employ any of the five generic competitive strategy options in selling branded footwear – low-cost leadership, differentiation, best-cost provider, focused low cost and focused differentiation. They can pursue essentially the same strategy world-wide or craft slightly or very different strategies for the Europe-Africa, Asia-Pacific, Latin America and North America markets. They can strive for competitive advantage based on more advertising, a wider selection of models, more appealing styling/quality, bigger rebates and so on.

Any well-conceived, well-executed competitive approach is capable of succeeding, provided it is not overpowered by the strategies of competitors or defeated by the presence of too many copycat strategies that dilute its effectiveness. The challenge for each company's management team is to craft and execute a competitive strategy that produces good performance on five measures: earnings per share, return on equity investment, stock price appreciation, credit rating and brand image.

All activity for the *Business Strategy Game* takes place at www.bsg-online.com.

A Bird's-eye View of GLO-BUS

The industry setting for *GLO-BUS* is the digital camera industry. Global market demand grows at the rate of 8–10 per cent annually for the first five years and 4–6 per cent annually for the second five years. Retail sales of digital cameras are seasonal, with about 20 per cent of consumer demand coming in each of the first three quarters of each calendar year and 40 per cent coming during the big fourth-quarter retailing season.

Companies produce entry-level and upscale, multifeatured cameras of varying designs and quality in a Taiwan assembly facility and ship assembled cameras directly to retailers in Europe-Africa, North America, Asia-Pacific, and Latin America. All cameras are assembled as retail orders come in and are shipped immediately upon completion of the assembly process – companies maintain no finished-goods inventories, and all parts and components are delivered on a just-in-time basis (which eliminates the need to track inventories and simplifies the accounting for plant operations and costs). Company co-managers exercise control over production costs on the basis of the designs and components they specify for their cameras, workforce compensation and training, the length of warranties offered (which affects warranty costs), the amount spent for technical support provided to buyers of the company's cameras and their management of the assembly process.

Competition in each of the two product market segments (entry-level and multifeatured digital cameras) is based on 10 factors: price, camera performance and quality; number of quarterly sales promotions; length of promotions in weeks; size of the promotional discounts offered;

advertising; number of camera models; size of retail dealer network; warranty period; and amount/calibre of technical support provided to camera buyers. Low-cost leadership, differentiation strategies, best-cost provider strategies and focus strategies are all viable competitive options. Rival companies can strive to be the clear market leader in either entry-level cameras or upscale multifeatured cameras or both. They can focus on one or two geographic regions or strive for geographic balance. They can pursue essentially the same strategy world-wide or craft slightly or very different strategies for the Europe-Africa, Asia-Pacific, Latin America and North America markets. Just as with the *BSG*, almost any well-conceived, well-executed competitive approach is capable of succeeding, *provided it is not overpowered by the strategies of competitors or defeated by the presence of too many copycat strategies that dilute its effectiveness.*

Company co-managers make 49 types of decisions each period, ranging from research and development (R&D), camera components and camera performance (10 decisions) to production operations and worker compensation (15 decisions) to pricing and marketing (15 decisions) to the financing of company operations (4 decisions) to corporate social responsibility (5 decisions). *Each time participants make a decision entry, an assortment of on-screen calculations instantly shows the projected effects on unit sales, revenues, market shares, unit costs, profit, earnings per share, ROE and other operating statistics. These on-screen calculations help team members evaluate the relative merits of one decision entry versus another and stitch the separate decisions into a cohesive and promising strategy.* Company performance is judged on five criteria: earnings per share; return on equity investment; stock price; credit rating; and brand image.

All activity for *GLO-BUS* occurs at www.glo-bus.com.

Administration and Operating Features of the Two Simulations

The Internet delivery and user-friendly designs of both *BSG* and *GLO-BUS* make them incredibly easy to administer, even for first-time users. And the menus and controls are so similar that you can readily switch between the two simulations or use one in your undergraduate class and the other in a graduate class. If you have not yet used either of the two simulations, you may find the following of particular interest:

- Setting up the simulation for your course is done online and takes about 10–15 minutes. Once set-up is completed, no other administrative actions are required beyond those of moving participants to a different team (should the need arise) and monitoring the progress of the simulation (to whatever extent desired).
- Participant's Guides are delivered electronically to class members at the website – students can read the guide on their monitors or print out a copy, as they prefer.
- There are 2–4-minute Video Tutorials scattered throughout the software (including each decision screen and each page of each report) that provide on-demand guidance to class members who may be uncertain about how to proceed.
- Complementing the Video Tutorials are detailed and clearly written Help sections explaining 'all there is to know' about (a) each decision entry and the relevant cause–effect relationships, (b) the information on each page of the Industry Reports, and (c) the numbers presented in the Company Reports. *The Video Tutorials and the Help screens allow company co-managers to figure things out for themselves, thereby curbing the need for students to ask the instructor 'how things work'.*
- Built-in chat capability on each screen enables company co-managers to collaborate online in the event that a face-to-face meeting to review results and make decision entries is not convenient (or feasible, as is usually the case for class members taking an online course). Company co-managers can also use their mobile phones to talk things over while online looking at the screens.
- Both simulations are quite suitable for use in distance learning or online courses (and are currently being used in such courses on numerous campuses).

- Participants and instructors are notified via email when the results are ready (usually about 15–20 minutes after the decision round deadline specified by the instructor/game administrator).
- Following each decision round, participants are provided with a complete set of reports – a six-page Industry Report, a one-page Competitive Intelligence report for each geographic region that includes strategic group maps and bulleted lists of competitive strengths and weaknesses, and a set of Company Reports (income statement, balance sheet, cash flow statement, and assorted production, marketing and cost statistics).
- Two ‘open-book’ multiple-choice tests of 20 questions are built into each simulation. The quizzes, which you can require or not as you see fit, are taken online and automatically graded, with scores reported instantaneously to participants and automatically recorded in the instructor’s electronic grade book. Students are automatically provided with three sample questions for each test.
- Both simulations contain a three-year strategic plan option that you can assign. Scores on the plan are automatically recorded in the instructor’s online grade book.
- At the end of the simulation, you can have students complete online peer evaluations (again, the scores are automatically recorded in your online grade book).
- Both simulations have a Company Presentation feature that enables each team of company co-managers to easily prepare PowerPoint slides for use in describing their strategy and summarizing their company’s performance in a presentation to either the class, the instructor, or an ‘outside’ board of directors.
- *A Learning Assurance Report provides you with hard data concerning how well your students performed vis-à-vis students playing the simulation world-wide over the past 12 months.* The report is based on nine measures of student proficiency, business know-how, and decision-making skill and can also be used in evaluating the extent to which your school’s academic curriculum produces the desired degree of student learning in so far as accreditation standards are concerned.

For more details on either simulation, please consult Section 2 of the Instructor’s Manual accompanying this text or register as an instructor at the simulation websites (www.bsg-online.com and www.glo-bus.com) to access even more comprehensive information. You should also consider signing up for one of the webinars that the simulation authors conduct several times each month (sometimes several times weekly) to demonstrate how the software works, walk you through the various features and menu options and answer any questions. We think you will be quite impressed with the cutting-edge capabilities that have been programmed into the *BSG* and *GLO-BUS*, the simplicity with which both simulations can be administered, and their exceptionally tight connection to the text chapters, core concepts and standard analytical tools.

Resources and Support Materials for the European Edition

For Students

Key points summaries At the end of each chapter is a synopsis of the core concepts, analytical tools and other key points discussed in the chapter. These chapter-end synopses, along with the core concept definitions and margin notes scattered throughout each chapter, help students focus on basic strategy principles, digest the messages of each chapter and prepare for tests.

Two sets of chapter-end exercises Each chapter concludes with two sets of exercises. The *Assurance of Learning Exercises* can be used as the basis for class discussion, oral presentation assignments, short written reports and substitutes for case assignments. The *Exercises*

for Simulation Participants are designed expressly for use by adopters who have incorporated use of a simulation and want to go a step further in tightly and explicitly connecting the chapter content to the simulation company their students are running.

A value-added website The student section of the Online Learning Centre (OLC) at website www.mcgraw-hill.co.uk/textbooks/thompson contains a number of helpful aids:

- Ten-question self-scoring chapter tests that students can take to measure their grasp of the material presented in each of the 12 chapters.
- The ‘Guide to Case Analysis’, containing sections on what a case is, why cases are a standard part of courses in strategy, preparing a case for class discussion, doing a written case analysis, doing an oral presentation and using financial ratio analysis to assess a company’s financial condition. We suggest having students read this guide before the first class discussion of a case.
- PowerPoint slides for each chapter.
- Selected Case Video clips.

The *Connect*™ Management web-based assignment and assessment platform Beginning with this edition, we have taken advantage of the publisher’s innovative *Connect*™ assignment and assessment platform and created several features that simplify the task of assigning and grading three types of exercises for students:

- There are self-scoring chapter tests consisting of 20–25 multiple-choice questions that students can take to measure their grasp of the material presented in each of the 12 chapters.
- There are Interactive Application exercises for each of the 12 chapters that test students in the use and application of the concepts and tools of strategic analysis.
- The *Connect*™ platform also includes Interactive Application exercises for the cases within the book to test their comprehensive and analytical skills.

Many of the *Connect*™ exercises are automatically graded (others entail student entry of essay answers), thereby simplifying the task of evaluating each class member’s performance and monitoring the learning outcomes. The progress-tracking function built into the *Connect*™ Management system enables you to:

- view scored work immediately and track individual or group performance with assignment and grade reports;
- access an instant view of student or class performance relative to learning objectives;
- collect data and generate reports required by many accreditation organizations, such as AACSB.

For Instructors

Online Learning Centre (OLC) In addition to the student resources, the instructor section of site www.mcgraw-hill.co.uk/textbooks/thompson includes an Instructor’s Manual and other support materials.

Instructor’s Manual (IM) The accompanying IM contains:

- a section on suggestions for organizing and structuring your course;
- sample syllabi and course outlines;
- a set of lecture notes on each chapter;
- answers to the chapter-end Assurance of Learning Exercises;
- a copy of the test bank;

- a comprehensive case teaching note for each of the end-of-book cases. These teaching notes are filled with suggestions for using the case effectively, have very thorough, analysis-based answers to the suggested assignment questions for the case and contain an epilogue detailing any important developments since the case was written.

Test bank and EZ test online There is a test bank containing over 900 multiple-choice questions and short-answer/essay questions. It has been tagged with AACSB and Bloom's Taxonomy criteria. All of the test bank questions are also accessible within a computerized test bank powered by McGraw-Hill's flexible electronic testing programme EZ Test Online (www.eztestonline.com). Using EZ Test Online allows you to create paper and online tests or quizzes. With EZ Test Online, instructors can select questions from multiple McGraw-Hill test banks or author their own and then either print the test for paper distribution or give it online.

PowerPoint slides To facilitate delivery preparation of your lectures and to serve as chapter outlines, you will have access to approximately 500 colourful and professional-looking slides displaying core concepts, analytical procedures, key points and all the figures in the text chapters.

Instructor's Resource CD All of our instructor supplements are available on disk; the disk set includes the complete IM, computerized test bank (EZ Test), accompanying PowerPoint slides and the Digital Image Library with all of the figures from the text. It is a useful aid for compiling a syllabus and daily course schedule, preparing customized lectures and developing tests on the text chapters.

The BSG and GLO-BUS online simulations Using one of the two companion simulations is a powerful and constructive way of emotionally connecting students to the subject matter of the course. We know of no more effective way to arouse the competitive energy of students and prepare them for the challenges of real-world business decision-making than to have them match strategic wits with classmates in running a company in head-to-head competition for global market leadership.