Crafting and Executing Strategy Concepts 23rd edition Thompson Solutions Manual

SKU: 9781264250189-SOLUTIONS

SECTION 1

Instructor Resources, Chapter Features, and Case Overview

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INSTRUCTOR RESOURCES

We strived to achieve four goals in preparing this package of Instructor Resources for the 23rd Edition:

1. To equip you with all the resources and pedagogical tools you'll need to design and deliver a course that is on the cutting-edge and solidly in the mainstream of what students need to know about crafting and executing winning strategies.
2. To give you wide flexibility in putting together a course syllabus that you are comfortable with and proud of.
3. To give you a smorgasbord of options to draw from in keeping the nature of student assignments varied and interesting.
4. To help you deliver a course with upbeat tempo that wins enthusiastic applause from students.

We believe the contents of the package will be particularly informative and helpful to faculty members teaching the strategy course for the first time but we have also tried to embellish the content with ideas and suggestions that will prove valuable to experienced faculty looking for ways to refurbish their course offering and/or to keep student assignments varied and interesting.

A QUICK OVERVIEW OF THE ENTIRE INSTRUCTOR RESOURCE PACKAGE

The Instructor's Manual for *Crafting & Executing Strategy* contains:

- A quick look at the topical focus of the text's 12 chapters (Section 1).
- The merits of incorporating the use of the Connect® assignment and assessment platform accompanying the 23rd Edition, into your course requirements. The Connect® package for the 23rd Edition has been completely revamped and bolstered to support faculty teaching hybrid and online courses. The revised Connect® package allows adopters to easily integrate auto-graded content into Learning Management System modules to assess student mastery of course competency goals. The 23E Connect® package offers automatic grading for all chapter quizzes, learning assurance exercises, and exercises for simulation users for 12 chapters of the 23rd Edition. In addition, the Connect® package includes auto-graded case exercises for 14 of the 27 cases included in the text (Section 1).
- An overview of the 27 cases in the text, along with a grid profiling the strategic issues that come into play in each case (Section 1 and Section 3).
- A discussion of the reasons to use a strategy simulation as an integral part of your strategy course. The two web-based strategy simulations—*The Business Strategy Game* or *GLO-BUS*—that are companions to this text incorporate the very kinds of strategic thinking, strategic analysis, and strategic decision-making described in the text chapters and connect beautifully to the chapter content. The automated online nature of both simulations entails minimal administrative time and effort on the instructor's part. You will be pleasantly shocked (and pleased!!) at the minimal time it will take you to

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incorporate use of *GLO-BUS* or *The Business Strategy Game* and the added degree of student excitement and energy that either of these competition-based strategy simulations brings to the course—see Section 2 for more details.

- Tips and suggestions for effectively using either *GLO-BUS* or *The Business Strategy Game* in your course (covered in both Section 2 and Section 3).
- Ideas and suggestions on course design and course organization (Section 3 and Section 4).
- Recommendations for sequencing the case assignments and guidance about how to use the cases effectively (Section 3).
- Our recommendations regarding which cases are particularly appropriate for written case assignments and oral team presentations (Section 3).
- Two sample course syllabi (Section 4).
- A variety of schedules of activities for face-to-face, hybrid, and online courses: (Section 4)
    - Two sample schedules of class activities and assignments for face-to-face courses offered during a 15-week term;
    - Two sample schedules of activities for hybrid courses offered during a 15-week term;
    - One sample schedule of class activities for face-to-face courses offered during a 10-week term;
    - One sample schedule of class activities for hybrid courses offered during a 10-week term;
    - One sample schedule of class activities for a 7-week online course; and
    - One sample course schedule for face-to-face courses offered in 5-week term.
- A Test Bank for the 12 chapters that consists of 900+ questions (Section 5).
- A set of Lecture Notes for each of the 12 chapters (Section 6).
- A comprehensive teaching note for each of the 27 cases in *Crafting & Executing Strategy* (Section 7).

In addition to the Instructor's Manual, the support package for adopters also includes several important features that should be of interest.

PowerPoint Slides To facilitate delivery preparation of your lectures and to serve as chapter outlines, you'll have access to comprehensive PowerPoint presentations for each of the 12 chapters that the authors have developed for their own classes. The collection includes 500+ professional-looking slides displaying core concepts, analytical procedures, key points, and all the figures in the text chapters.

Accompanying Case Videos All cases have accompanying video segments that can be shown in conjunction with the case discussions. These videos can be sourced via links to YouTube postings, postings in the Connect® Instructor Library for the 23rd Edition.

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Test Bank The test bank contains 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 via **Test Builder.** Test Builder, available within Connect®, is a cloud-based tool that enables the instructor to format tests that can be printed or administered within a learning management system (LMS). Test Builder offers a modern, streamlined interface for easy content configuration that matches course needs, without requiring a download. Test Builder provides a secure interface for better protection of content and allows for just-in-time updates to flow directly into assessments.

What to Expect in the 23rd Edition

The distinguishing mark of the 23rd Edition is its enriched and enlivened presentation of the material in each of the 12 chapters, providing an as up-to-date and engrossing discussion of the core concepts and analytical tools as you will find anywhere. As with each of our new editions, there is an accompanying lineup of exciting new cases that bring the content to life and are sure to provoke interesting classroom discussions, deepening students' understanding of the material in the process.

While this 23rd Edition retains the 12-chapter structure of the prior edition, every chapter—indeed every paragraph and every line—has been reexamined, refined, and refreshed. New content has been added to keep the material in line with the latest developments in the theory and practice of strategic management. In other areas, coverage has been trimmed to keep the book at a more manageable size. Scores of new examples have been added, along with new Illustration Capsules, to enrich understanding of the content and to provide students with a ringside view of strategy in action. The result is a text that cuts straight to the chase in terms of what students really need to know and gives instructors a leg up on teaching that material effectively. It remains, as always, solidly mainstream and balanced, mirroring *both* the penetrating insight of academic thought and the pragmatism of real-world strategic management.

A standout feature of this text has always been the tight linkage between the content of the chapters and the cases. The lineup of cases that accompany the 23rd Edition is outstanding in this respect—a truly 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. We are confident you will be impressed with how well these cases work in the classroom and the amount of student interest they will spark.

Organization, Content, and Features of the Text Chapters

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 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.

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- Thoroughly describe 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.
- Focus squarely on what every student needs to know about crafting, implementing, 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've learned from the chapters.

We believe this 23rd edition measures up on all five criteria and that you'll be amply convinced that **no other leading text does a better job of setting forth the principles of strategic management and linking these principles to both sound theory and best practices**.

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 multibusiness 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 forms 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 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 multibusiness 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*

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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 multibusiness (or corporate) strategy, outsourcing, insourcing, and vertical integration.

5. *With a stand-alone 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.* This chapter, "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 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. *Long known as an important differentiator of this text, the case collection in the 23rd 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. The 27 cases included in this edition are the very latest, the best, and the most on target that we could find. 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 optimized for hybrid and online delivery through robust assignment and assessment content integrated into Connect.*® This will enable professors to gauge class members' prowess in accurately completing (a) selected chapter-end exercises, (b) chapter-end quizzes, (c) exercises for simulation participants, and (d) exercises for 14 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 23rd edition.* These give you an unmatched capability to employ a text-case-simulation model of course delivery.

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

- 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?"* As such, it serves as the perfect accompaniment for your opening-day lecture on what the course is all about and why it matters. 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

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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 makes a great assignment for the second day of class and provides a smooth transition into the heart of the course. 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.
- The next two chapters 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 competitive analysis 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-á-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—low-cost provider, broad differentiation, best-cost provider, 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

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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, profit sanctuaries, and the choice between multidomestic, 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 multibusiness 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.*
- Although the topic of ethics and values comes up at various points in this textbook, 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*

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responsible and sustainable manner.

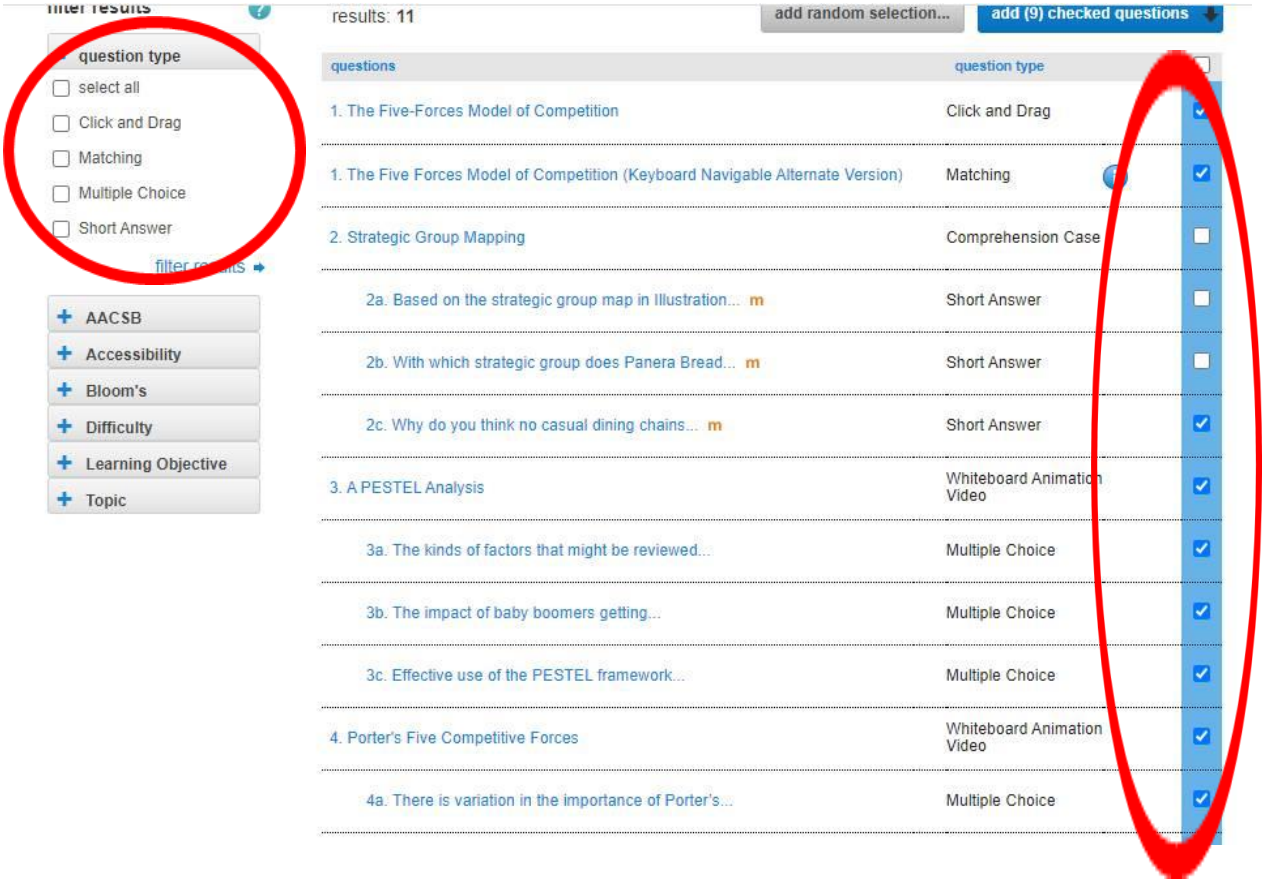
- The next three chapters (Chapters 10, 11, and 12) comprise a module on strategy execution that is presented in terms of a 10-step framework. Chapter 10 provides an overview of this framework and then explores the first three of these tasks: (1) staffing the organization with people capable of executing 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 framework with a consideration of the roles of corporate culture and 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.

In this latest edition, we have put our utmost effort into ensuring that the 12 chapters are consistent with the latest and best thinking of academics and practitioners in the field of strategic management and provide the topical coverage required for both undergraduate and MBA-level strategy courses. The ultimate test of the text, of course, is the positive pedagogical impact it has in the classroom. If this edition sets a more effective stage for your lectures and does a better job of helping you persuade students that the discipline of strategy merits their rapt attention, then it will have fulfilled its purpose.

Connect® Assignment and Assessment Platform

The Connect® package for the 23rd Edition has been optimized for hybrid and online courses with a robust collection of chapter quizzes, chapter learning assurance exercises, exercises for simulation participants, and case preparation exercises. The array of assignments should prove to ease instructors' grading and assessment obligations. Student understanding of chapter concepts can be assessed at the individual-level through chapter quizzes and applied learning assurance exercises that record each student's grade in a Web-based grade book. *All chapter quizzes and Assurance of Learning exercises for the 12 chapters are automatically-graded.* Exercises for simulation participants include both auto-graded and open-ended questions. Instructors are able to assign auto-graded questions only using by selecting multiple choice question type as shown in example from Chapter 3 below.

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The Connect® platform also includes fully auto-graded interactive application exercises for 14 of the 27 cases in this edition. The exercises require students to work through tutorials based upon the analysis set forth in the assignment questions for the case; these exercises have multiple components such as resource and capability analysis, financial ratio analysis, identification of a company's strategy, or analysis of the five competitive forces. The content of these case exercises is tailored to match the circumstances presented in each case, calling upon students to do whatever strategic thinking and strategic analysis is called for to arrive at pragmatic, analysis-based action recommendations for improving company performance. The entire exercise is auto-graded, including strategic recommendation choices.

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THE CASE COLLECTION IN THE 23rd EDITION

The 27-case line-up in this edition is flush with interesting companies and valuable lessons for students in the art and science of crafting and executing strategy.

- There's a good blend of cases from a length perspective—about two-thirds of the cases are under 15 pages, yet offer plenty for students to chew on and the remainder are detail-rich cases that call for more sweeping analysis.
- At least 25 of the 27 cases involve companies, products, or people that students will have heard of, know about from personal experience, or can easily identify with.
- The lineup includes at least 20 cases that will provide students with insight into the special demands of competing in industry environments where technological developments are an everyday event, product life cycles are short, and competitive maneuvering among rivals comes fast and furious.
- Twenty-three of the cases involve situations where company resources and competitive capabilities play as large a role in the strategy-making, strategy-executing scheme of things as industry and competitive conditions do.
- Scattered throughout the lineup are 20 cases concerning non-U.S. companies, globally competitive industries, and/or cross-cultural situations; these cases, in conjunction with the globalized content of the text chapters, provide abundant material for linking the study of strategic management tightly to the ongoing globalization of the world economy.
- Eight cases deal with the strategic problems of family-owned or relatively small entrepreneurial businesses.
- Twenty-four cases involve public companies, thus allowing students to do further research on the Internet regarding recent developments at these companies.
- All cases have accompanying video segments that can be shown in conjunction with the case discussions. These videos can be sourced via links to YouTube postings, postings in the Connect® Instructor Library. The links to the relevant YouTube videos are included in the teaching notes for the applicable cases.
- Fourteen of the 27 cases have accompanying Connect®-based case preparation exercises. All of the exercises are based on the recommended assignment questions for the respective case and call upon a student to develop thoughtful, analysis-based answers (as opposed to stating seat-of-the-pants opinions). Each exercise is different, depending both on the circumstances of the case and the content of the chapters to which it is closely linked. *All of the case assignment questions related to the proper analysis of the case are automatically graded.*

A grid showing the issues that are prominent in each of the 27 cases in this edition is presented in Table 1.

Suggestions for sequencing the case assignments can be found in Section 3 of this IM. The 8 sample course outlines and daily schedules of class activities in Section 4 provide further

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suggestions about the sequencing of case assignments and how to integrate your coverage of the 12 chapters, the various case assignments, and use of a strategy simulation.

Specific details about how to utilize each case (including recommended assignment questions and recommended oral team presentation assignments are contained in the teaching notes for each of the cases (the TNs appear in Section 7).

Sample course syllabi displaying possible case sequencing and suggested case assignments are presented in Section 4 of this volume of the IM.

It is worth mentioning at this juncture that there is a comprehensive table of financial ratios in Chapter 4 that provides the formulas and brief explanations of what each ratio reveals. Adopters of prior editions have told us that students find this table extremely helpful in guiding their analyses of the financial statements contained in the cases. You will probably want to call this table to the attention of class members and urge that they make full use of the information it contains.

Moreover, we have included a Guide to Case Analysis that appears at the end of the book, after Case 27. This brief guide—designed especially for students unfamiliar with the case method of teaching/learning—explains what a case is, why cases are a standard part of courses in strategy, how to prepare for a class discussion of a case, how to prepare a written case analysis, what is expected in an oral presentation, and the financial ratio calculations that are used to assess a company's financial condition. We suggest having students read this Guide prior to the first class discussion of a case. We believe you will find the collection of 31 cases quite appealing, eminently teachable, and very suitable for drilling students in the use of the concepts and analytical treatments in Chapters 1 through 12. With this case lineup, you should have no difficulty whatsoever assigning cases that will capture the interest of students from start to finish.

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TABLE 1 A Quick Profile of the Cases in the 23rd Edition of Crafting and Executing Strategy

	Accompanying video (Y = yes; N = no)	Connect Case Exercise (Y = yes; N = No)	Size: Small (S), Medium (M), Large (L)	The role of managers in crafting strategy	The role of managers in executing strategy	Vision, mission, and objectives	Crafting strategy in single-business companies	Industry and competitive analysis	Company resources and capabilities	Global or multinational strategy	E-business strategy issues	Diversification strategies and the analysis of multi-business corporations	Financial conditions and financial analysis	Staffing, people management, incentives and rewards	Organizational structure, core competencies, competitive capabilities, staffing	Policies, procedures, operating systems, best practices, continuous improvement	Corporate culture issues	Ethics, values, social responsibility	Exerting strategic leadership	Making action recommendations
Case 1: Airbnb in 2020	Y	Y	M			X	X	X	X	X	X		X							X
Case 2: Competition in the Craft Beer Industry in 2020	Y	Y	S				X	X												X
Case 3: Costco Wholesale in 2020: Mission, Business Model, and Strategy	Y	Y	M	X	X	X	X	X	X	X	X		X	X		X	X		X	X
Case 4: Ford Motor Company: Will the Company's Strategic Moves Restore its Competitiveness and Financial Performance?	Y	N	L				X	X	X	X			X							X
Case 5: Macy's, Inc.: Will Its Strategy Allow It to Survive in the Changing Retail Sector?	Y	N	L	X			X	X	X		X		X							X
Case 6: TOMS Shoes: Expanding Its Successful One for One Business Model	Y	N	S	X	X	X	X	X	X				X			X	X	X	X	X
Case 7: lululemon Athletica's Strategy in 2020: Is the Recent Growth in Retail Stores, Revenues, and Profitability Sustainable?	Y	Y	M	X			X	X	X	X			X							X
Case 8: Under Armour's Strategy in 2020: Can It Revive Sales and Profitability in Its Core North American Market?	Y	Y	M	X			X	X	X	X			X							X

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	Accompanying video (Y = yes; N = no)	Connect Case Exercise (Y = yes; N = No)	Size: Small (S), Medium (M), Large (L)	The role of managers in crafting strategy	The role of managers in executing strategy	Vision, mission, and objectives	Crafting strategy in single-business companies	Industry and competitive analysis	Company resources and capabilities	Global or multinational strategy	E-business strategy issues	Diversification strategies and the analysis of multi-business corporations	Financial conditions and financial analysis	Staffing, people management, incentives and rewards	Organizational structure, core competencies, competitive capabilities, staffing	Policies, procedures, operating systems, best practices, continuous improvement	Corporate culture issues	Ethics, values, social responsibility	Exerting strategic leadership	Making action recommendations
Case 9: Spotify in 2020: Can the Company Remain Competitive?	Y	N	S	X		X	X	X	X		X		X							X
Case 10: Beyond Meat, Inc.	Y	Y	S	X		X	X	X	X				X							X
Case 11: Netflix's 2020 Strategy for Battling Rivals in the Global Market for Streamed Video Subscribers	Y	Y	M	X	X	X	X	X	X		X		X							X
Case 12: Twitter Inc. in 2020	Y	Y	M	X			X	X	X	X	X		X							X
Case 13: Yeti in 2020: Can Brand Name and Innovation Keep it Ahead of the Competition?	Y	N	S	X			X	X	X	X	X		X							X
Case 14: GoPro in 2020: Have its Turnaround Strategies Failed?	Y	N	S	X			X	X	X		X		X							X
Case 15: Publix Super Markets: Its Strategy in the U.S. Supermarket and Grocery Store Industry	Y	N	M	X	X	X	X	X	X		X		X				X		X	X
Case 16: Tesla Motors in 2020: Can It Deliver Sustained Profitability?	Y	Y	M	X		X	X	X	X	X			X							X
Case 17: Unilever's Purpose-led Brand Strategy: Can Alan Jope Balance Purpose and Profits?	Y	N	L	X			X	X	X	X			X						X	X
Case 18: Domino's Pizza: Business Continuity Strategy during the COVID-19 Pandemic	Y	N	M	X	X		X	X	X	X	X		X						X	X
Case 19: Burbank Housing: Building from the Inside Out	Y	N	S	X		X	X	X	X				X					X		X

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	Accompanying video (Y = yes; N = no)	Connect Case Exercise (Y = yes; N = No)	Size: Small (S), Medium (M), Large (L)	The role of managers in crafting strategy	The role of managers in executing strategy	Vision, mission, and objectives	Crafting strategy in single-business companies	Industry and competitive analysis	Company resources and capabilities	Global or multinational strategy	E-business strategy issues	Diversification strategies and the analysis of multi-business corporations	Financial conditions and financial analysis	Staffing, people management, incentives and rewards	Organizational structure, core competencies, competitive capabilities, staffing	Policies, procedures, operating systems, best practices, continuous improvement	Corporate culture issues	Ethics, values, social responsibility	Exerting strategic leadership	Making action recommendations
Case 20: Boeing 737 MAX: What Response Strategy is Needed to Ensure Passenger Safety and Restore the Company's Reputation?	Y	N	L	X			X	X	X	X			X					X	X	X
Case 21: The Walt Disney Company: Its Diversification Strategy in 2020	Y	Y	L	X		X		X	X	X	X	X	X						X	X
Case 22: Robin Hood	Y	Y	S	X	X	X		X	X					X	X	X	X	X	X	X
Case 23: Starbucks in 2020: Is the Company on Track to Achieve Attractive Growth and Operational Excellence?	Y	Y	L	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X
Case 24: Southwest Airlines in 2020: Culture, Values, and Operating Practices	Y	Y	L	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X
Case 25: Uber Technologies in 2020: Is the Gig Economy Labor Force Working for Uber?	Y	N	M	X		X	X	X	X	X	X		X	X	X	X	X	X	X	X
Case 26: Nucor Corporation in 2020: Pursuing Efforts to Grow Sales and Market Share Despite Tough Market Conditions	Y	Y	M	X	X		X	X	X	X			X	X			X		X	X
Case 27: Eliminating Modern Slavery from Supply Chains: Can Nestle Lead the Way?	Y	N	L	X			X	X	X	X						X	X	X		X

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VALUE-ADDING STUDENT SUPPORT MATERIALS FOR THE 23rd EDITION OF CRAFTING & EXECUTING STRATEGY

The text and text website include several kinds of support materials to help students grasp the material.

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 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. The questions in both sets of exercises (along with those Illustration Capsules that qualify as "mini-cases") can be used to round out the rest of a 75-minute class period should your lecture on a chapter last for only 50 minutes.

Connect® Assignment and Assessment Platform Connect® chapter quizzes, learning assurance exercises, and case exercises can be used as a graded component of the course, an assessment mechanism, or as an effective way to prepare students for chapter exams, in-class discussions of cases, written case assignments or oral case presentations. Whether Connect® assignments are calculated into students' grades for the course or not, our robust collection of chapter quizzes, chapter learning assurance exercises, and case preparation exercises will give students valid and timely feedback about their mastery of the concepts and analytical tools presented in the text.

The progress-tracking function built into the Connect® system enables you to:

- Easily integrate automatically-graded content into Learning Management System modules to assess study mastery of course competency goals.
- 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.
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The Business Strategy Game and GLO-BUS Online Simulations Using one of the two companion strategy simulations is a powerful and constructive way of emotionally connecting students to the subject matter of the course. We know of no more effective and interesting way to stimulate the competitive energy of students and prepare them for the rigors 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. In Section 2 of this IM, we outline why using a competition-based strategy simulation as a course centerpiece makes great sense and provide you with detailed suggestions for successfully incorporating either *The Business Strategy Game* or *GLO-BUS* in your strategic management course.

Should you decide to incorporate use one of the two simulations in your course, the simplest (and usually the cheapest) way for students to obtain the simulation is via a credit card purchase at www.bsg-online.com (if you opt to use *The Business Strategy Game*) or at www.glo-bus.com (if you opt to use *GLO-BUS*). Purchasing the simulation direct at the web site allows students to bypass paying sometimes hefty bookstore markups (a savings that can amount to $10–$15). The second way for students to register for the simulation is by using a pre-paid access code that comes bundled with the 23rd Edition when you order the text-simulation package through your bookstore—this requires use of a separate ISBN (the 23rd Edition bundled with either simulation has a different ISBN number than just the 23rd Edition ordered alone. Your McGraw-Hill rep can provide you with the correct ISBN for ordering the combination text-simulation package through your bookstore(s).

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chapter **1**

What Is Strategy and Why Is It Important?

CHAPTER SUMMARY

Chapter 1 defines the concept of strategy and describes its many facets. The chapter explains what is meant by a competitive advantage, discusses the relationship between a company's strategy and its business model, and introduces the student to the kinds of competitive strategies that can give a company an advantage over rivals in attracting customers and earning above-average profits. The chapter examines what sets a winning strategy apart from others and why the caliber of a company's strategy determines whether it will enjoy a competitive advantage over other firms or be burdened by competitive disadvantage. By the end of this chapter, the student will have a clear idea of why the tasks of crafting and executing strategy are core management functions and why excellent execution of an excellent strategy is the most reliable recipe for turning a company into a standout performer over the long term.

LECTURE OUTLINE

I. Introduction

Chapter 1 explores the fundamental concepts surrounding organizational strategy. It begins with an explanation of the term *strategy* and discusses why companies need a distinctive strategy in order to compete successfully. Next, it explores why a company must have a viable business model and the five most dependable strategic approaches for setting a company apart. The chapter wraps up with an illustration of how a company's strategy tends to evolve over time due to changing business conditions and the three tests for winning strategies.

II. What Do We Mean by *Strategy*?

Connect® Activity

Consider adding a SmartBook assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. A company's **strategy** is the coordinated set of actions that its managers take in order to outperform the company's competitors and achieve superior profitability. In effect, it represents a managerial commitment to an integrated array of considered choices about how to compete.

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2. Normally, companies have a wide degree of strategic freedom in choosing the "hows" of strategy:

   - How to position the company in the marketplace.
   - How to attract customers.
   - How to compete against rivals.
   - How to achieve the company's performance targets.
   - *How* to capitalize on opportunities to grow the business.
   - How to respond to changing economic and market conditions.

   CORE CONCEPT

   A company's strategy is the coordinated set of actions that its managers take in order to outperform the company's competitors and achieve superior profitability.

3. **Strategy Is about Competing Differently—**A strategy stands a better chance of succeeding when it is predicated on actions, business approaches, and competitive moves aimed at:

   a. appealing to buyers in ways that *set a company apart from its rivals* and
   b. staking out a market position that is not crowded with strong competitors.

4. ***Figure 1.1—Identifying a Company's Strategy—What to Look For***, shows what to look for in identifying the substance of a company's overall strategy. These are the visible actions taken that signal what strategy the company is pursuing.

   Connect® Activity

   Consider adding a File Attachment assignment requiring the student to develop a response to Illustration Capsule 1.1: Apple Inc.: Exemplifying a Successful Strategy. You can post instructions for the student within the assignment and collect their attachments for grading.

III. Strategy and the Quest for Competitive Advantage

Connect® Activity

Consider adding a SmartBook assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. The heart and soul of any strategy are the actions and moves in the market place that managers are taking to improve the company's financial performance, strengthen its long-term competitive position, and gain a competitive edge over rivals.

2. A company achieves a competitive advantage whenever it has some type of edge over rivals in attracting buyers and coping with competitive forces.

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3. Strategy is about competing differently from rivals or doing what competitors don't do or, even better, can't do. In this sense, every strategy needs a distinctive element that attracts customers and produces a competitive edge.

4. What makes a competitive advantage **sustainable** (or durable), as opposed to temporary, are elements of the strategy that give buyers lasting reasons to prefer a company's products or services over those of competitors

CORE CONCEPT

A company achieves a **competitive advantage** when it provides buyers with superior value compared to rival sellers or offers the same value at a lower cost to the firm. The advantage is **sustainable** if it persists despite the best efforts of competitors to match or surpass this advantage.

5. Five of the most frequently used strategic approaches to setting a company apart from rivals and achieving a sustainable competitive advantage are:

   a. Low-Cost Provider—Achieving a cost-based advantage over rivals.
   b. Broad Differentiation—Seeking to differentiate the company's product or service from rivals' in ways that will appeal to a broad spectrum of buyers.
   c. Focused Low Cost—Concentrating on a narrow buyer segment (or market niche) and outcompeting rivals by having lower costs than rivals and thus being able to serve niche members at a lower price.
   d. Focused Differentiation—Concentrating on a narrow buyer segment (or market niche) and outcompeting rivals by offering niche members customized attributes that meet their tastes and requirements better than rivals' products can do.
   e. Best-Cost Provider—Giving customers more value for the money by satisfying buyers' expectations on key quality/features/performance/service attributes, while beating their price expectations.

ILLUSTRATION CAPSULE - 1.1 Apple Inc.: Exemplifying a Successful Strategy

Discussion Question: 1. Describe Apple's strategic approach in the computer industry.

Answer: Students should be able to discuss that Apple uses a focused differentiation strategic approach. The company focuses on the upper end of the computer buyer market and offers a premium product. The company designs its own operating system, hardware, and application software through continuous investments in R&D. These higher cost approaches to the market place are offset by premium pricing that the niche market can support.

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IV. Why a Company's Strategy Evolves over Time

Connect® Activity

Consider adding a SmartBook assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. Every company must be willing and ready to modify the strategy in response to changing market conditions, advancing technology, unexpected moves by competitors, shifting buyer needs, emerging market opportunities, and mounting evidence that the strategy is not working well.

2. Most of the time, a company's strategy evolves incrementally from management's ongoing efforts to fine-tune the strategy and to adjust certain strategy elements in response to new learning and unfolding events.

3. Industry environments characterized by high velocity change require companies to repeatedly adapt their strategies.

4 The important point is that the task of crafting strategy is not a one-time event but always a work in progress.

V. A Company's Strategy Is Partly Proactive and Partly Reactive

Connect® Activity

Consider adding a SmartBook assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. The evolving nature of a company's strategy means that the typical company strategy is a blend of (1) *proactive,* planned initiatives to improve the company's financial performance and secure a competitive edge, and (2) *reactive* responses to unanticipated developments and fresh market conditions.

CORE CONCEPT

A company's **deliberate strategy** consists of *proactive* strategy elements that are both planned and realized as planned; its **emergent strategy** consists of *reactive* strategy elements that emerge as changing conditions warrant.

2. The biggest portion of a company's current strategy flows from ongoing actions that have proven themselves in the marketplace and newly launched initiatives aimed at building a larger lead over rivals and further boosting financial performance.—Deliberate Strategy

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3. Managers must always be willing to supplement or modify the proactive strategy elements with as-needed reactions to unanticipated conditions.—Emergent Strategy

4. In total, these two elements combine to form the company's *realized strategy*. ***Figure 1.2, A Company's Strategy Is a Blend of Proactive Initiatives and Reactive Adjustments,*** illustrates the elements of strategy that become the realized strategy.

VI. Strategy and Ethics: Passing the Test of Moral Scrutiny

Connect® Activity

Consider adding a SmartBook assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. Managers must be careful to embrace actions that can pass the test of moral scrutiny. This goes beyond just staying within the bounds of what is legal.

2. Ethical and moral standards are not fully governed by what is legal, they are concerned with right versus wrong and a sense of duty.

3. While the legal realm deals with must or must not, the ethical/moral realm deals with should or should not.

4 Senior executives with strong ethical convictions are generally proactive in linking strategic action and ethics.

VII. A Company's Strategy and Its Business Model

Connect® Activity

Consider adding a SmartBook assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

CORE CONCEPT

A company's **business model** sets forth the logic for how its strategy will create value for customers, while at the same time generating revenues sufficient to cover costs and realize a profit.

1. A business model is management's blueprint for delivering a valuable product or service to customers in a manner that will generate revenues sufficient to cover costs and yield an attractive profit.

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2. The two elements of a company's business model are (1) its customer value proposition and (2) its profit formula.

3. The customer value proposition lays out the company's approach to satisfying buyer wants and needs at a price customers will consider a good value.

4. The profit formula describes the company's approach to determining a cost structure that will allow for acceptable profits, given the pricing tied to its customer value proposition.

4. Figure 1.3 illustrates the elements of the business model in terms of what is known as the Value-Price-Cost Framework highlighting the relationship between the Customer's Value Proposition (V-P) and the Profit Formula (P-C).

ILLUSTRATION CAPSULE 1.2

Pandora, **SiriusXM, and Over-the-Air Broadcast Radio: Three Contrasting Business Models**

Discussion Question: 1. What is the prominent difference between the business models of these three organizations?

Answer: While all three provide essentially the same type of entertainment service, the business models employed by Pandora, SiriusXM, and Over-the-Air Broadcast Radio are completely different. In the area of value proposition (what the customer sees), SiriusXM provides commercial-free entertainment with some local content based upon a monthly fee, while Broadcast Radio provides entertainment with some local content, interrupting for commercials without a fee. Pandora bridges these two methods. In one mode it operates more like Over-the-Air Broadcast Radio in that it provides entertainment without a fee but includes targeted advertisements, with the added benefit of allowing the listener to customize the music mix. In the other mode, listeners can elect to go ad-free for a fee using Pandora One.

For profit, SiriusXM must attract a large enough customer base in order to cover costs and provide profit, while Broadcast Radio must attract a large enough advertiser base to cover costs and provide profit. Pandora, once again bridging the two, generates profit by either an advertiser base or through ad-free services.

VIII. What Makes a Strategy a Winner?

Connect® Activity

Consider adding a SmartBook assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. Three questions can be used to test the merits of one strategy versus another and distinguish a winning strategy from a losing or mediocre strategy:

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a. The Fit Test: How well does the strategy fit the company's situation? To qualify as a winner, a strategy has to be well matched to industry and competitive conditions, a company's best market opportunities, and other aspects of the enterprise's external environment.
b. The Competitive Advantage Test: Is the strategy helping the company achieve a sustainable competitive advantage? The bigger and more durable the competitive edge that a strategy helps build, the more powerful and appealing it is.
c. The Performance Test: Is the strategy producing good company performance? Two kinds of performance improvements tell the most about the caliber of a company's strategy: (1) gains in profitability and financial strength and (2) gains in the company's competitive strength and market standing.

2. Strategies that come up short on one or more of the above questions are plainly less appealing than strategies passing all three test questions with flying colors.

IX. Why Crafting and Executing Strategy Important?

Connect® Activity

Consider adding a SmartBook assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. Crafting and executing strategy are top priority managerial tasks for the following two big reasons:

a. High-performing enterprises are nearly always the product of astute, creative, and proactive strategy making.
b. Even the best-conceived strategies will result in performance shortfalls if they are not executed proficiently.

2. Good Strategy + Good Strategy Execution = Good Management

a. Crafting and executing strategy are core management functions.
b. Among all the things managers do, nothing affects a company's ultimate success or failure more fundamentally than how well its management team charts the company's direction, develops competitively effective strategic moves and business approaches, and pursues what needs to be done internally to produce good day-to-day strategy execution and operating excellence.

IX. The Road Ahead

1. Throughout the remaining chapters and Part 2 of this text, the spotlight is trained on the foremost question in running a business enterprise: What must managers do, and do well, to make a company a winner in the marketplace?

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2. The mission of this book is to provide a solid overview of what every business student and aspiring manager needs to know about crafting and executing strategy.

Connect® Activity

Use the Question Bank to build a quiz for the chapter to measure and reinforce learning. Consider using the questions you select to build a comprehensive mid-term and final exam for the course. The assignment can be graded and posted automatically.

ASSURANCE OF LEARNING EXERCISES

1. Based on your experiences and/or knowledge of Apple's current products and services, does Apple's strategy (as described in Illustration Capsule 1.1) seem to set it apart from rivals? Does the strategy seem to be keyed to a cost-based advantage, differentiating features, serving the unique needs of a niche, or some combination of these? What is there about Apple's strategy that can lead to sustainable competitive advantage?

Connect® Activity

This Assurance of Learning exercise is available as a Connect® Assignment. The assignment can be graded and posted automatically.

Response:

Setting Itself Apart—Students should be able to discuss that Apple uses a focused differentiation strategic approach. The company focuses on the upper end of the computer buyer market and offers a premium product. They strategically place stores in areas where their target market frequent and staff them with knowledgeable people. The firm is also committed to corporate social responsibility (CSR) and sustainability throughout its supply chain.

Elements of Strategy—Students should identify that some of key elements of Apple's strategy include a strong focus on R&D, providing a complete hardware/software/service solution, and a strong brand identity. These elements, along with the focus on CSR and sustainability, combine to form a high-end value proposition for consumers that allows for premium pricing.

Sustainable Competitive Advantage—Students should identify that developing a sustainable competitive advantage relies on a) building competitively valuable capabilities that rivals cannot readily match and b) having a distinctive product offering. Further, they should be able to highlight that the two areas described above are both distinctive and difficult to match.

2. Elements of Amazon's strategy have evolved in meaningful ways since the company's founding in 1994. After reviewing the company's history and all of the links at the company's investor relations site (ir.aboutamazon.com), prepare a one- to two-page report that discusses how its strategy has evolved. Your report should also assess how well Amazon's strategy passes the three tests of a winning strategy.

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Response:

Strategy Evolution—From the information found in the links provided, the student's report should include information similar to the following:

Amazon.com began as an online bookseller in 1995 with Jeffrey Bezos viewing books as a commodity where price was the only differentiating factor. By warehousing and shipping in high volume, the traditional brick-and-mortar bookstores such as Barnes & Noble were unable to complete. By 2018, Amazon.com is the largest U.S. bookseller.

By the late 90s, Amazon.com has diversified the product portfolio to include electronics, software, video games, and many other categories. Once again, the core strategy is to focus on commodity products where price point is the key factor. By 2000, Amazon.com had adopted a new concept called *marketplace* where merchants were able to offer products on the website and warehouse at Amazon as a service to the merchant. This allowed a broader product portfolio without impacting Amazon's cash flow. With the 2005 release of Prime membership, the company was able to position themselves as the "first choice" for many online shoppers. By 2018, the company is the leader in e-commerce with over 40 percent of the industry.

Amazon adopted an overarching strategy called *flywheel* with the idea of pursuing projects that would support other initiatives already in place. This has resulted in another string of innovations to include Web Services in 2006, the Kindle E-reader in 2007, the 2009 acquisition of Zappos, and the 2017 acquisition of Whole Foods.

Students should conclude that all of these innovations follow a careful underlying strategy of adding services and features to the overall product mix that leverage and take advantage of developments already in place and meet shifting consumer demands. The company's strategy has evolved from a simple mission of providing online books to becoming the leading global retailer across many industries.

Strategy Assessment—The student's report should include specific indications that the company's strategy is a winner as follows:

a. Does the strategy fit the company's situation?—Yes, the company's strategy fits the evolving demands of both in-person and e-commerce shoppers.

b. Does the strategy helping the company achieve a sustainable competitive advantage?—Yes, the growing base of customers and revenue streams from various services and platforms is led by continuous innovation which clearly differentiates the company. The growing profit stream indicates that the strategy is sustainable.

c. Does the strategy producing good company performance?—Yes, the company is estimated to have close to 1 percent of global retail sales and close to 8 percent of U.S. retail sales.

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3. Go to investor.siriusxm.com and check whether the Sirius XM's recent financial reports indicate that its business model is working. Are its subscription fees increasing or declining? Is its revenue stream advertising and equipment sales growing or declining? Does its cost structure allow for acceptable profit margins?

Connect® Activity

This Assurance of Learning exercise is available as a Connect® Assignment. The assignment can be graded and posted automatically.

Response:

General—The responses developed by the students may include information such as the following: SiriusXM is a leading satellite media company that provides commercial-free music from numerous genres, live play-by-play sports, news and talk shows, and other forms of audio entertainment streaming to the consumer's home, auto, business, or even boats within 200 miles of the coast.

Is the Business Model Working?—Students should note that the company's annual revenue has increased steadily over the last three reporting periods from $5.42B in 2017 to $7.79B in 2019, while net income has grown from $647M to $914M over the same period. While the absolute dollar amount is larger, this is essentially the same in terms of percentage with 11.93% in 2017 and 11.73% in 2019. This illustrates an increasing value proposition (revenue) as well as an effective and stable profit formula (earnings). The conclusion the student should reach is that the business model is working effectively.

Subscription Fees—Students should identify that the company had subscription revenue of $2.99B in the first six months of 2019 and $3.16B in the first six months of 2020, representing a 5.68% growth.

Revenue Stream from Advertising—Students should identify that the company had advertising revenue of $567M in the first six months of 2019 and $521M in the first six months of 2020, representing an 8.11% decrease. The company should be seeking ways to increase advertising revenue.

Revenue from Equipment—Students should identify that the company had revenue from equipment of $82M in the first six months of 2019 and $66M in the first six months of 2020, representing a 19.5% decrease.

Cost Structure and Profit Margins—Students should identify that the company had consistent growth in Operating Profit with $1.64 in 2017 and $1.73B in 2019, representing a 5.48% average annual growth. This demonstrates that the company's cost structure allows for attractive profit margins.

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