

Crafting and Executing Strategy

Creating Sustainable High Performance
in South African Businesses



2nd South African Edition





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Performance in South
African businesses

Johan Hough,
Arthur A. Thompson Jr.,
A.J. Strickland III, John E. Gamble

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Areas of expertise include strategic management, international business research, and spearheading “Corporate Entrepreneurship” in South African companies. He was the recipient of the Ernst Oppenheimer Special Overseas Study Grant in 2000. Johan is the co-editor and main author of the book *Global Business* and the co-editor of the book entitled *Entrepreneurship: A Southern African Perspective*. He contributed to more than eighty research articles, local and international conference proceedings, and research reports.

Johan has consulted widely and some of his clients include Deloitte & Touche, Standard Bank of South Africa, Absa, Maersk Sealand, British American Tobacco, UCT (Graduate School of Business), Technikon Pretoria, World Economic Forum in Switzerland, Iscor Mining, Goldfields, Botswana Housing Commission, EOH Consulting, V&A Waterfront, Medi-Clinic, Sherwood Into, PetroSA, and various cooperatives and municipalities in South Africa.

Johan is the managing partner of the Balanced Scorecard Institute of South Africa.



Roy Braxton is the CEO and founder of the Braxton group, a uniquely focused business that specializes in strategy, people management, culture and technological solutions which enable businesses to provide sustained performance to their shareholders. The practice has been doing business in South and southern Africa, the United Kingdom and Europe.

Roy has consulted to a range of companies over the years, from Blue Chip organizations such as Rand Merchant Bank, First National Bank, WesBank, SASOL, to smaller entrepreneurial organizations such as St Elmo’s and professional bodies—Investors in People.

He has two post-graduate qualifications in Industrial Psychology and Financial Management and lectures strategy at the University of Stellenbosch.



Prof Viola Makin is one of the most experienced academic members of the Strategy division at Unisa's Graduate School of Business Leadership (**SBL**). The University of South Africa (Unisa) is one of the largest distant educators in the world, with about 200 000 students. She teaches on the Master of Business Leadership Program (**MBL**) a three-year program which has about 1500 participants. Her areas of expertise are Competitive and Dynamic Strategy, as well as Corporate Strategy, including Corporate Governance.

At present, she teaches the Corporate Strategy elective in the final year of the **MBL**. She is acknowledged as an expert in her field and has been invited to teach on **MBA** programs in the United States, a number of times. She has presented academic papers and case studies and has had a paper accepted at the American Strategic Management Society. Through her business consultancy, she has also obtained considerable practical experience.

Her SBL Director portfolios have included—Seminars and Short Courses, International Relations; Marketing and Communication as well as membership of the Board. At present she is responsible for Executive Education. Her doctoral studies looked at information technology for strategic advantage. She is a member of the Institute of Directors and the American Academy of Management and has had executive training at INSEAD (1993), Wharton (1997) and Harvard Business School (2001).



Arthur A. Thompson, Jr., earned his BS. and PhD degrees in economics from The University of Tennessee, spent three years on the economics faculty at Virginia Tech, and served on the faculty of The University of Alabama's College of Commerce and Business Administration for 24 years. In 1974 and again in 1982, Dr. Thompson spent semester-long sabbaticals as a visiting scholar at the Harvard Business School.

His areas of specialization are business strategy, competition and market analysis, and the economics of business enterprises. In addition to publishing over 30 articles in some 25 different professional and trade publications, he has authored or co-authored five textbooks and six computer-based simulation exercises that are used in colleges and universities worldwide.

Dr. Thompson spends much of his off-campus time giving presentations, putting on management development programmes, working with companies, and helping operate a business simulation enterprise in which he is a major partner.

Dr. Thompson and his wife of 45 years have two daughters, two grandchildren, and two Yorkshire terriers.



Dr. A. J. (Lonnie) Strickland, a native of North Georgia, attended the University of Georgia, where he received a bachelor of science degree in math and physics in 1965. Afterward he entered the Georgia Institute of Technology, where he received a master of science in industrial management. He earned a PhD in business administration from Georgia State University in 1969. He currently holds the title of Professor of Strategic Management in the Graduate School of Business at The University of Alabama.

Dr. Strickland's experience in consulting and executive development is in the strategic management area, with a concentration in industry and competitive analysis. He has developed strategic planning systems for such firms as the Southern Company, BellSouth, South Central Bell, American Telephone and Telegraph, Gulf States Paper, Carraway Methodist Medical Centre, Delco Remy, Mark IV Industries, Amoco Oil Company, USA Group, General Motors, and Kimberly Clark Corporation (Medical Products). He is a very popular speaker on the subject of implementing strategic change and serves on several corporate boards.



John E. Gamble is currently Associate Dean and Professor of Management in the Mitchell College of Business at the University of South Alabama. His teaching specialty at USA is strategic management and he also conducts a course in strategic management in Germany, which is sponsored by the University of Applied Sciences in Worms.

Dr Gamble's research interests centre on strategic issues in entrepreneurial, healthcare, and manufacturing settings. His work has been published in various scholarly journals and he is the author or co-author of more than 30 case studies published in an assortment of strategic management and strategic marketing texts. He has carried out consulting work on industry and market analysis for clients in a diverse mix of industries.

Professor Gamble received his PhD in management from The University of Alabama in 1995. Dr. Gamble also has a Bachelor of Science degree and a Master of Arts degree from The University of Alabama.



Preface

The objective of this second South African text, readings and cases is to cover in an effective and interesting way what every senior-level or MBA student in South Africa needs to know about crafting, executing and aligning business strategies. It features a *substantive* presentation of core concepts and analytical techniques and a collection of timely and recently published readings that amplify important topics in managing a company's strategy-making, strategy-executing process. The text-readings-cases content works well for courses where the instructor wishes to provide students with a foundation in the core concepts and analytical tools of strategic management and a taste of the literature of strategic management before having them tackle a customized set of cases and/or a simulation exercise. A big benefit of this edition is the number of South African and African cases.

We combined the South African, African and international cases with two state-of-the-art online strategy simulations, *The Business Strategy Game* and *GLO-BUS*, which were created expressly as accompanying supplements to this book; either simulation will prove to be an excellent fit with the chapters of this text and the collection of readings and, mostly, cases.

We believe this second South African edition represents a solid contribution to a deeper understanding of the body of strategic knowledge for the South African reader and learner. Pains were taken to improve and "South Africanize" the explanations of core concepts, analytical tools and examples. The latest research findings from the literature and cutting-edge strategic practices of international and South African companies have been incorporated to keep in step with both theory and practice. Scores of new examples have been added to complement the new and updated illustration capsules.

The result is a text treatment with greater clarity and improved classroom and boardroom effectiveness. The chapter content is solidly mainstream and balanced, mirroring *both* the best international academic thinking and the pragmatism of real-world strategic management.

Complementing the 10-chapter text presentation is a comprehensive package of support materials that are easy to use, highly effective, and flexible enough to fit almost any course design.

A Text with On-Target Content

In our view, for a senior/MBA-level strategy text to qualify as having on-target content, it must:

- Explain core concepts in language that students can grasp and provide examples of their relevance and use by actual companies.
- Take care to thoroughly describe the tools of strategic analysis, how they are used, and where they fit into the managerial process of crafting and executing strategy.

- Be up-to-date and comprehensive, with solid coverage of the landmark changes in competitive markets and company strategies being driven by globalization, innovation, good governance and increased use of Internet technology.
- Focus squarely on what every student needs to know about crafting, implementing, executing and aligning business strategies in today's competitive environments.

We believe this second South African edition measures up on all four criteria. Chapter discussions cut straight to the chase about what students really need to know. Explanations of core concepts and analytical tools are comprehensive enough to make them understandable and usable, the rationale being that a shallow explanation carries little punch and has almost no instructional value. All the chapters are enriched with practical examples that students can easily relate to. There's a straightforward, integrated flow from one chapter to the next. The latest research findings in strategy have been woven into each chapter, and we have deliberately adopted a pragmatic, down-to-earth writing style, not only to communicate better to an audience of students (who, for the most part, will soon be practising managers), but also to convince readers that the subject matter deals directly with what managers and companies do in the real world.

Two Accompanying Online, Fully-Automated Simulation Exercises— *The Business Strategy Game and GLO-BUS*

The Business Strategy Game and GLO-BUS: Developing Winning Competitive Strategies—two competition-based strategy simulations that are delivered online and that feature automated processing of decisions and grading of performance—can be used as companion supplements for use with this and other texts in the field. *The Business Strategy Game* is the world's leading strategy simulation, having been played by well over 400 000 students at universities across the world. *GLO-BUS*, a relatively new and somewhat simpler online simulation introduced in 2004, has been played by over 15 000 students at more than 125 universities across the world.

We think there are compelling reasons for using a simulation as a cornerstone, if not a centrepiece, of strategy courses for seniors and MBA students:

- Assigning students to run a company that competes head-to-head against companies run by other class members *gives students immediate opportunity to experiment with various strategy options and to gain proficiency in applying the core concepts and analytical tools that they have been reading about in the chapters.* The whole teaching/learning enterprise is facilitated when what the chapters have to say about the managerial tasks of crafting and executing strategy matches up with the strategy-making challenges that students confront in the simulation.
- *Most students desperately need the experience of actively managing a close-to-real-life company where they can practise and hone their skills in thinking strategically, evaluating changing industry and competitive conditions, assessing a company's financial and competitive condition, and crafting and executing a strategy that delivers good results and produces sustainable competitive advantage.* Strategy simulations put students through a drill where they can improve (1) their business acumen, (2) their ability to make good bottom-line decisions in the face of uncertain

market and competitive conditions, and (3) their proficiency in weaving functional area decisions into a cohesive strategy. *Such skills building is the essence of senior and MBA courses in business strategy.*

- Students are *more motivated* to buckle down and figure out what strategic moves will make their simulation company perform better than they are to wrestle with the strategic issues posed in an assigned case (which entails reading the case thoroughly, diagnosing the company's situation, and proposing well-reasoned action recommendations). In a strategy simulation, students have to take the analysis of market conditions, the strategies and actions of competitors, and the condition of their company *seriously*—they are held fully accountable for their decisions and their company's performance. It is to students' advantage to avoid faulty analysis and flawed strategies—*nothing gets students' attention quicker than the adverse grade consequences of a decline in their company's performance or the loss of an industry position.* And no other type of assignment does a better job of spurring students to exercise fully their strategic wits and analytical prowess—*company co-managers have a strong grade incentive to spend quality time debating and deciding how best to boost the performance of their company.*

In class discussions of cases, however, students take on the more passive and detached role of outside observers providing their thoughts about a company's situation. It is sometimes hard to get students to think long and hard about the company in the assigned case or what needs to be done to improve its future performance. They may well not see an immediate or alarming impact on their grade if their case preparation is skimpy or their analysis of the company's situation is deficient or their recommendations about what the company should do are suboptimal or even off-the-wall. Thus, while case analysis absolutely needs to be an essential part of senior/MBA courses in strategy, case assignments fall short of strategy simulations in their capacity to motivate students to do first-rate strategic analysis and come up with insightful action recommendations.

- *A competition-based strategy simulation adds an enormous amount of student interest and excitement—a head-to-head competitive battle for market share and industry leadership stirs students' competitive juices and engages them emotionally in the subject matter.* Being an active manager in running a company in which they have a stake makes their task of learning about crafting and executing winning strategies more enjoyable. Their company becomes “real” and takes on a life of its own as the simulation unfolds—and it doesn't take long for students to establish a healthy rivalry with other class members that are running rival companies. Because the competition in the simulation typically gets very personal, most students become immersed in what's going on in their industry—as compared to the more impersonal engagement that occurs when they are assigned a case to analyse.
- A first-rate simulation produces a “Wow! Not only is this fun, but I am learning a lot” reaction from students. *The element of competition ingrained in strategy simulations stirs students' competitive juices and emotionally engages them in the subject matter.* Most students will thoroughly enjoy the *learn-by-doing* character of a simulation, recognize the practical value of having to make all kinds of decisions and run a whole company, and gain confidence from working with all the financial

and operating statistics—all of which tends to (1) make the strategy course a *livelier, richer learning experience* and (2) result in higher instructor evaluations at the end of the course.

- Strategy simulations like *The Business Strategy Game* or *GLO-BUS* that have exceptionally close ties between the industry and company circumstances in the simulation and the topics covered in the text chapters *provide instructors with a host of first-rate examples of how the material in the text applies both to the experience that students are having in running their companies and to real-world management*. Since *students can easily relate to these examples*, they are much more apt to say “Aha! Now I see how this applies and why I need to know about it and use it”. The host of examples the simulation experience provides to create this “Aha!” effect thus adds real value. (There is information posted in the Instructor Centres for both *The Business Strategy Game* and *GLO-BUS* showing specific links between the pages of this text and the simulation.)
- Because a simulation involves making decisions relating to production operations, worker compensation and training, sales and marketing, distribution, customer service, and finance and requires analysis of company financial statements and market data, *the simulation helps students synthesize the knowledge gained in a variety of different business courses*. *The cross-functional, integrative nature of a strategy simulation helps make courses in strategy much more of a true capstone experience*.

In sum, a *four-pronged text–reading–case–simulation course model has significantly more teaching/learning power than the traditional text–case combination*. Indeed, a very convincing argument can be made that a competition-based strategy simulation is the single most powerful vehicle that instructors can use to teach effectively the discipline of business and competitive strategy and to build student proficiencies in crafting and executing a winning strategy. Mounting instructor recognition of the teaching/learning effectiveness of a good strategy simulation accounts for why strategy simulations have earned a prominent place in so many of today’s strategy courses.

Happily, there is another positive side benefit to using a simulation—it *lightens the marking burden for instructors*. Since a simulation can entail 20 or more hours of student time over the course of a term (depending on the number of decisions and the extent of accompanying assignments), most adopters compensate by trimming the total number of assigned cases or substituting the simulation for one (or two) written cases and/or an hour exam. This results in less time spent marking assignments, because both *The Business Strategy Game* and *GLO-BUS* have built-in grading features that require no instructor effort (beyond setting the grading weights).

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, multi-featured cameras of varying designs and quality in a Taiwan assembly facility and ship assembled cameras directly to retailers in North America, Asia-Pacific, Europe-Africa, and Latin America. All cameras are assembled as retail orders come in and 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 based on 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, the size of the promotional discounts offered, advertising, the number of camera models, size of retail dealer network, warranty period, and the 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, 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 worldwide or craft slightly or very different strategies for the Europe-Africa, Asia-Pacific, Latin America, and North America markets. Just as with *The Business Strategy Game*, most 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 44 types of decisions each period, ranging from 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). 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.

A Bird's-Eye View of The Business Strategy Game

The setting for *The Business Strategy Game (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—North America, Latin America, Europe-Africa, 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 buying previously constructed plants that have been sold by competing companies. Company co-managers exercise control over production costs based on 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 \$4 per pair in Europe-Africa, \$6 per pair in Latin America, and \$8 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 worldwide and to individuals buying online at the company's website. Each company's sales and market share in the branded footwear segments hinge on its competitiveness on 11 factors: attractive pricing, footwear styling and quality, product-line breadth, advertising, the use of mail-in rebates, the appeal of celebrities endorsing a company's brand, success in convincing footwear retailers dealers to carry its brand, the number of weeks it takes to fill retailer orders, the 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 47 types of decisions each period that cut across production operations (up to 10 decisions each plant, with a maximum of 4 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 each plant), pricing and marketing (up to 10 decisions in 4 geographic regions), bids to sign celebrities (2 decision entries per bid), and financing of company operations (up to 8 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, 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 worldwide 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 or a wider selection of models or more appealing styling/quality, or 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.

Administration and Operating Features of the Two Simulations

The online 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:

- Time requirements for instructors are minimal. 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 that of moving participants to a different team (should the need arise) and monitoring the progress of the simulation (to whatever extent desired).
- There's no software for students or administrators to download and no disks to fool with. All work must be done online and the speed for participants using dial-up modems is quite satisfactory. The servers dedicated to hosting the two simulations have appropriate back-up capability and are maintained by a prominent Web-hosting service that guarantees 99.99 per cent reliability on a 24/7/365 basis—as long as students or instructors are connected to the Internet, the servers are virtually guaranteed to be operational.
- Participant's Guides are delivered at the website—students can read the Guide on their monitors or print out a copy, as they prefer.
- There are extensive built-in "Help" screens explaining (1) each decision entry, (2) the information on each page of the Industry Reports, and (3) the numbers presented in the Company Reports. *The Help screens allow company co-managers to figure things out for themselves, thereby curbing the need for students to always run to the instructor with questions about "how things work".*
- The results of each decision are processed automatically and are typically available to all participants 15 minutes after the decision deadline specified by the instructor/game administrator.
- Participants and instructors are notified via e-mail when the results are ready.
- Decision schedules are instructor-determined. Decisions can be made once per week, twice per week, or even twice daily, depending on how instructors want to conduct the exercise. One popular decision schedule involves 1 or 2 practice

decisions, 6–10 regular decisions, and weekly decisions across the whole term. A second popular schedule is 1 or 2 practice decisions, 6–8 regular decisions, and biweekly decisions, all made during the last 4 to 6 weeks of the course (when it can be assumed that students have pretty much digested the contents of Chapters 1–6, become somewhat comfortable with what is involved in crafting strategy for a single-business company situation, and have prepared several assigned cases). A third popular schedule is to use the simulation as a “final exam” for the course, with daily decisions (Monday to Friday) for the last two weeks of the term.

- Instructors have the flexibility to prescribe 0, 1, or 2 practice decisions and from 3 to 10 regular decisions.
- Company teams can be composed of 1 to 5 players each and the number of companies in a single industry can range from 4 to 12. If your class size is too large for a single industry, then it is a simple matter to create two or more industries for a single-class section.
- Following each decision, 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 (optional, but strongly recommended) are included as part of each of the two simulations. The quizzes are taken online and automatically graded, with scores reported instantaneously to participants and automatically recorded in the instructor’s electronic gradebook. 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 gradebook.
- At the end of the simulation, you can have students complete online peer evaluations. (Again, the scores are automatically recorded in your online gradebook.)
- Both simulations have a Company Presentation feature that enables students to easily prepare PowerPoint slides for use in describing their strategy and summarizing their company’s performance in a presentation either to the class, the instructor, or an “outside” board of directors.

For more details on either simulation, please consult the Instructor’s Manual or visit the simulation websites (www.bsg-online.com and www.glo-bus.com). The websites provide a wealth of information, including a “Guided Tour” link that takes about five minutes. Once you register (there’s no obligation), you’ll be able to access the Instructor’s Guide and a set of PowerPoint Presentation slides that you can skim to preview the two simulations in some depth. The simulation authors will be glad to provide you with a personal tour of either or both websites (while you are on your PC) and walk you through the many features that are built into the simulations. We think you’ll be quite impressed with the capabilities that have been programmed into *The Business Strategy Game* 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.

Student Support Materials for the Second South African Edition

Students have access to the latest international resources, by referring to the website of Thompson and Strickland: *Crafting and Executing Strategy: Text and Readings* 17e (www.mhhe.com/thompson) The following resources are available:

- Self-scoring 20-question chapter tests that students can take to measure their grasp of the material presented in each of the 13 chapters.
- A “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 prior to the first-class discussion of a case.
- A select number of PowerPoint slides for each chapter.

Instructor Support Materials

Instructors adopting this book are invited to go to www.mcgraw-hill.co.uk/textbooks/hough to access the following resources.

Instructor’s Manual

The accompanying Instructor’s Manual based on the US edition of Thompson: *Crafting and Executing Strategy*, contains a section on suggestions for organizing and structuring your course, sample syllabi and course outlines, a set of lecture notes on each chapter, a copy of the test bank, and comprehensive teaching notes for each of the cases.

Test Bank

The test bank is prepared by Thompson/Strickland and based on the US edition, containing over 1200 multiple-choice questions and short-answer/essay questions.

PowerPoint Slides

The PowerPoint slides have been adapted to suite the SA Edition. To facilitate delivery preparation of your lectures and to serve as chapter outlines, you’ll have access to colourful and professional-looking slides displaying core concepts, analytical procedures, key points, and all the figures in the text chapters.

Cases and Teaching notes

Teaching notes have been prepared for the South African cases. Five additional web cases from the US Edition is available as well as their teaching notes.

The Business Strategy Game *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 and interesting way to stimulate the competitive energy of students and prepare them for the rigours 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.

Resources for Assembling a Set of Custom Cases

Using the capabilities of McGraw-Hill's Primis division, instructors can go online to www.mhhe.com/primis, browse the cases that have appeared in our last four editions (as well as other sources), and quickly assemble a customized collection of cases that can be delivered in either printed copy or e-book form. Teaching notes for all these cases are available.



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Strategy and Business:

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Johan Hough
Arthur A. Thompson
A. J. Strickland
John E. Gamble



Guided Tour

4 Chapter 01 What is Strategy? Integration and Strategic Alignment

"Strategy means making clear choices about how to compete"

1.1 Introduction

High school graduates face five broad strategic issues: How to prepare themselves in adult life and to prepare themselves for the safety of their home and school environment; What programme to follow? What career to choose? Who to marry? Where to live? These issues are life changing and take a lot of time and many decisions to ensure success in life, and we all know that techniques in the world cannot guarantee academic or professional success or even intelligent children!

Correspondingly, managers also face broad strategic issues: How to prepare their company's business prospects; What's the company's strategy? Where to go? How should it get there? What resources are needed to ensure sustainable competitive advantage? How should it create strategic alliances or make the company more competitive? These questions force managers to evaluate industry trends and opportunities.

Chapter Introduction

Each chapter opens with an introduction, providing an overview of the topic and placing this within its wider strategic context.

Core Concepts

These are key strategic terms, which you will need to familiarize yourself with. They are highlighted throughout the chapter and explained in separate boxes for easy reference

1.7 The Concept of a Company Value Chain

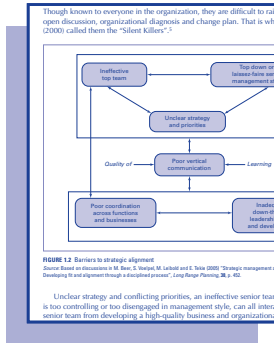
Every company's business consists of a collection of activities that create value for buyers. All of the various activities that combine to form a value chain.

Chapter 4 describes a company's **value chain** as two broad categories: the **primary activities** that are foremost in creating value and the **support activities** that facilitate and enhance the primary activities.

At this early stage it is important to know that the combination of activities in a company's value chain define the company's cost of each activity contributes to whether the company's cost relative to rivals is favourable or unfavourable. The tasks of benchmarking are to develop the data for comparing a company's cost against the costs of key rivals and to learn which internal activities are sources of advantage or cost disadvantage.

It is clear that good strategies alone will not ensure that sustained results but that execution and alignment are crucial to success. Strategies with their customers, internal business processes, people and performance systems. The following part of this chapter explains the principles, alignment challenges and different ways of organizing a company.

CORE CONCEPT: A company's **value chain** identifies the primary value and the related support activities.



Figures and Tables

Each chapter provide a number of figures and table to help you to visualize various strategic ideas, and to illustrate and summarize important concepts.

Illustration Capsule 2.1: Examples of Strategies They Measure Up?

- **Vodafone**
To democratise the telephony market in Africa by offering access to mobile devices. Vodafone's commitment to this end dedication to its stakeholders, customers, employees.
- **Coca-Cola SABCO**
We will be the best Coca-Cola bottler in the world.
- **Basil Read**
To be a diversified construction group competitor.
- **Peugeot**
To positively contribute to the Southern African economy.
- **Atlanta Web Printers**
To be the first choice in the printed communications market. Best choice, and being the best is what Atlanta does every day!
- **Balanced Scorecard Institute of South Africa**
It is our vision to instill high performance in all South African businesses.

Illustration Capsules

Situated throughout each chapter, these capsule boxes illustrate the chapter topic by applying it to real-life strategic decisions.

Summary

The managerial process of crafting and executing a strategy is an interrelated and integrated process. It involves the following steps:

1. **Developing a strategic vision** of where the product/market/customer/technology focus is in the long-term direction, infuses the organization with management's aspirations for the future.
2. **Setting objectives** to spell out for the company what performance is expected, and by when. The amount of organizational stretch, a balance between company performance entails setting both short-term and long-term objectives.
3. **Crafting a strategy to achieve the objectives** entails developing a strategic course that management has chosen. It involves forming responses to changing competitive moves and market opportunities, building competitive capabilities, and uniting the strategic actions. The more a company's operations cut across geographical areas, the more strategy makes sense. Managers and company personnel at many levels must be involved in the process.

Chapter Summary

This brief review and reinforces the main topic you will have covered in each chapter, to ensure you have acquired a solid understanding of the key issues



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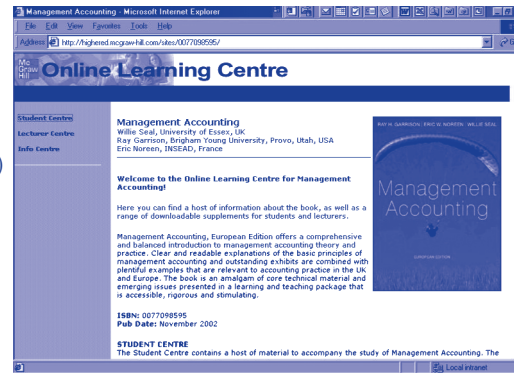


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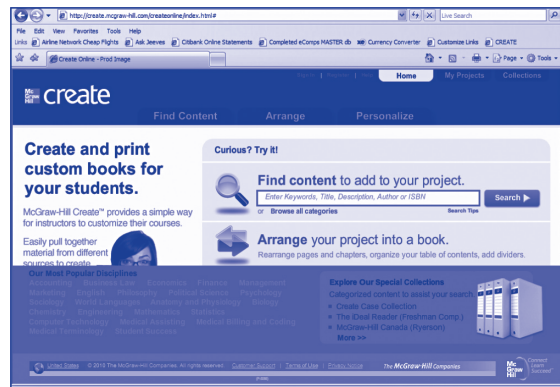


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