Detailed List of Changes

CHANGES MADE THROUGHOUT

- Chapter Cases and Strategy Highlights throughout have been either completely revised and updated or are new, as detailed in the following chapter-by-chapter entries.
- All major text examples have been updated or are new, with more in-depth discussion.
- More global coverage is included throughout, with a stronger China focus (both on the country as well as its global competitors).
- Additional coverage and discussion of more diverse strategic leaders has been included.
- Chapters now consistently contain two Strategy Highlight features per chapter.
- Chapters now contain a stronger practice/application focus throughout. Each chapter now closes with a section discussing practical Implications for the Strategist.
- Following Chapter 12 are 20 MiniCases—13 are brand-new MiniCases, many of which focus on China and Chinese companies competing in the West, and the remaining 7 are updated from the first edition.
- Four brand-new full-length Cases (Facebook, McDonald’s, BlackBerry, and Amazon) are available through McGraw-Hill Create (including financial data in e-format for analysis available through McGraw-Hill Connect).
- There is continued focus on providing a streamlined presentation by dropping some material when adding new content. This focus results in a fast-paced, reader-friendly text.

Chapter 1

- New Chapter Case about Apple’s rise and current challenges to sustain a competitive advantage.
- Draws on Rumelt’s insightful book Good Strategy, Bad Strategy to more clearly delineate the concept of strategy.
- Sharpened the definitions of strategy and competitive advantage. Part of this involved removing the section on “strategy as a theory of how to compete.”
- Moved all stakeholder material (from Chapter 12) into Chapter 1.
- Now includes an extensive discussion of stakeholder strategy and corporate social responsibility in Chapter 1, to provide the foundation for that concept throughout the chapters.
- Moved a revised section of “Formulating Strategy Across Levels” to Chapter 2.
- Moved discussion on business models to Chapter 5, where it could be expanded.
- New Strategy Highlight 1.1 discussing the difficulty JetBlue experienced in trying to combine two different competitive strategies (low cost and differentiation).
- New Strategy Highlight 1.2 about BP’s 2010 Gulf Coast oil spill and systemic safety issues over the last decade.
• New discussion and ethical/social issues questions about stakeholder relationships.
• Two new small-group exercises (one on black swan events and the other about the dangers of unclear choice of strategy).

Chapter 2
• New ChapterCase, about Indra Yoori as a strategic leader.
• Tightened chapter by moving/deleting section on strategic intent, thereby more closely linking discussions of vision and mission.
• Added extended coverage of strategic leadership (previously in Chapter 12) into Chapter 2, to highlight the role of strategic leaders early on in the chapters.
• Added a revised and updated section on formulating strategy across business levels (from Chapter 1 in 1e), with more examples provided; leads into coverage of the strategic management and types of strategic planning.
• Emphasized the role of strategic leaders in shaping strategy formulation and the strategy process.
• New Strategy Highlight 2.1 on Merck’s core values and the development of drugs to treat river blindness and the challenges with the Vioxx recall.
• Added new ethical/social issues question asking students to identify whether actual company vision/mission statements are customer- or product-oriented, or a combination.
• Added a new small-group exercise related to STEM (science, technology, engineering, and math) disciplines and U.S. competitiveness.

Chapter 3
• New ChapterCase about Tesla Motors and the U.S. automotive industry.
• Sharpened the PESTEL discussion by subsuming Political/Legal factors and updating examples.
• Added new Strategy Highlight 3.1 on the Eurozone crisis (in the PESTEL discussion).
• Significantly expanded discussion of Porter’s five forces to allow for in-depth treatment with current example (including new Strategy Highlight 3.2 on the five forces in the airline industry).
• Added B-section titled “Competition in the Five Forces Model” to highlight two key assumptions in this model.
• Subsumed structure-conduct-performance (SCP) model under “Rivalry among Existing Competitors” following Porter’s seminal work in Competitive Strategy.
• Expanded discussion of SWOT with application example.
• Added new C-heads under threat of entry: network effects, economies of scale, customer switching costs, capital requirements, advantages independent of size, government policy, and threat of retaliation.
• Expanded the section on rivalry among existing competitors: Moved the discussion of industry structure and types into this section (the fifth force), in the subsection on competitive industry structure.
• Added Exhibit 3.4, “The Five Forces Competitive Analysis Checklist.”
• Added small-group exercise (ethical/social issues) asking students to propose new guidelines for helping Kraft promote food to children in a socially responsible way.

Chapter 4
• New ChapterCase 4: Nike’s Core Competency: The Risky Business of Fairy Tales
• Changes in chapter sequence: (1) Moved the section on how to sustain a competitive advantage to precede the value chain section. (2) Also moved the section on dynamic capabilities to earlier in the chapter; now precedes the value chain analysis.
• In the value chain analysis section, provided examples for low-cost and differentiated value chain.
• New Strategy Highlight 4.1: Applying VRIO: The rise and fall of Groupon.
• Discussed Circuit City as an in-text example of what happens when not reinvesting, honing, and upgrading core competencies.
• Expanded discussion of SWOT and added analysis of McDonald’s in the implications for the strategist section.
• Used a new example for path dependence—why the U.S. carpet industry is based in Georgia.
• Added activities, capabilities, dynamic capabilities, and isolating mechanisms as key terms.
• Sharpened definitions and treatment of differences among resource, capability, and core competence in both text and art.
• New discussion question asks students to conduct a value chain analysis for McDonald’s and then analyze whether changes in its priorities affected its value chain.
• Small-Group Exercise 2 asks students to build on the Groupon Strategy Highlight in the chapter in ways that will build dynamic capabilities and make its competencies more difficult to imitate.

Chapter 5
• New ChapterCase, focusing on Apple vs. BlackBerry.
• Rearranged topics in first section (on firm performance), to put accounting profitability first, followed by shareholder value creation, and then economic value creation, balanced scorecard, and triple bottom line.
• Used Apple and BlackBerry data to analyze and compare profitability.
• Updated exhibits related to accounting profitability (e.g., stock market valuations of Amazon, Apple, Google, Microsoft, and Samsung; market capitalization of Apple).
• In shareholder value section, added key term market capitalization.
• Added section on corporate social responsibility, in triple bottom line section.
• Added section on business models (razor-razor blade; subscription-based; pay as you go; freemium).
• In the business models section, added a detailed discussion of business model innovation, an in-text example about Zipcar, and a Strategy Highlight about Threadless.
• Revised the economic value creation discussion to focus on two companies, with the same costs but slightly different strategies. Added two new exhibits showing economic value creation for two different firms (situations)—Exhibits 5.5 and 5.6.
• New discussion question related to the Threadless Strategy Highlight.
• Added a new small-group exercise asking students to prepare a presentation in support of the triple-bottom-line approach.

Chapter 6
• New ChapterCase, about recent strategic initiatives at P&amp;G that were intended to help strengthen its competitive position, including bringing back A. G. Lafley.
• New Strategy Highlight 6.1 on Whole Foods (was the ChapterCase in 1e).
• Revised integration strategy example uses stores (Nordstrom, Target, Walmart) rather than cosmetics companies.
• Moved discussion of integration strategy at the corporate level to Chapter 8.
• Added new heading for stuck in the middle (“Integration Strategy ‘Gone Bad’”) and used JCPenney as a text example.
• Moved discussion of mass customization into the section on integrated strategy.
• Clarified Exhibit 6.6 on effects of learning and experience.
• Reconceptualized the exhibit on value and cost drivers (now Exhibit 6.10).
• Changed ethical/social issue questions about scale of production and learning curves to a discussion question.
• Added a new ethical/social issue question relating to Whole Foods’ business strategy and healthy foods.

Chapter 7
• Updated ChapterCase about Wikipedia.
• New section on the innovation process, introducing the “four I’s”—idea, invention, innovation, imitation.
• Expanded section on entrepreneurship, including corporate and social entrepreneurship.
• Expanded the discussion of the industry life cycle section, including a subsection on the “shakeout stage.”
• Added a new application of the industry life cycle to the smartphone industry in emerging and developed economies.
• Added Geoffrey Moore’s “crossing the chasm” framework (unique to this text), including a text example of the application of this model to innovation in the smartphone industry.
• Added a subsection, including exhibits, on closed versus open innovation.
• Updated the discussion on accelerating technological change and moved the exhibit (from Chapter 1 in 1e).
• Clarified the text and retitled the exhibit on product and process innovation and the emergence of an industry standard, to make clear that this concept applies throughout the entire industry life cycle.
• New key terms added: first-mover advantages, invention, patent, crossing the chasm, innovation ecosystem, organizational inertia, Pareto principle, closed innovation, open innovation.
• Added a discussion question asking students to think about the effect of the Internet on retailing and how retailers might respond.
• Added a discussion question asking students to explore stories about low-tech innovations.
• Added a small-group exercise related to P&amp;G’s Connect 1 Develop open innovation system.

Chapter 8
• In the discussion of transaction cost economics, clarified the discussion on economies of scale and economies of scope. Also, changed discussion of the scope of the firm to the boundaries of the firm.
• Added new Exhibit 8.1 showing internal and external transaction costs, to aid students in understanding this somewhat abstract but critical concept in corporate strategy.
• Moved discussion of integration strategy at the corporate level to this chapter, where it now appears as Strategy Highlight 8.2 on the Tata Group, a multinational conglomerate.
• Added Exhibit 8.12 on dynamic corporate strategy, contrasting Nike and adidas.
• In Exhibit 8.2, added “Transaction-specific investments” in the Advantages/Firm box.
• Deleted all references to horizontal integration.
• Added as key terms internal transaction costs, external transaction costs, core competence-market matrix, and strategic alliances.
• Expanded Discussion Question 2 to apply it to Delta’s vertical integration decision.
• Expanded Ethical/Social Issues Question 1 to ask students how firms can outsource HR management systems but continue to show their commitment to employees.

Chapter 9
• New ChapterCase about Disney and its serial acquisitions of Pixar, Marvel, and Lucas Films. Expanded and updated the discussion of M&amp;A and its strategic alliances.
• Moved discussion of principal–agent problems to first in the list of reasons for mergers.
• Added discussion of real-options perspective into the section on strategic alliances.
• Added discussion of the new build-borrow-or-buy framework (Capron and Mitchell), with accompanying exhibit, in the Implications for the Strategist section.
• Added examples of serial acquisitions (e.g., Google bought YouTube; Google bought Waze to pre-empt Apple and FB; Google acquired Motorola's cell phone unit to be able to integrate hardware with software; Facebook bought Instagram; Yahoo bought Tumblr).
• Added as key terms: coopetition, build-borrow-or-buy framework.
• Added discussion question about expected failure rates when merging with competitors as opposed to acquiring smaller companies.
• Added new ethical/social issues question about IKEA’s strategic use of nonequity alliances and stakeholder partnerships.
• Added a new small-group exercise about the wave of consolidations in the U.S. office furniture-manufacturing industry located primarily in Michigan.
• Revised the second small-group exercise about social media usage in 2012 by the Fortune Global 100 companies.

Chapter 10
• Updated the ChapterCase with new data about the global appeal of Hollywood movies especially in regard to China.
• Revised the discussion of the integration-responsiveness framework to use more traditional terminology: international strategy, multidomestic strategy, global standardization strategy, transnational strategy.
• Changed discussion of the stages of globalization from a Strategy Highlight box to text.
• Added discussion of Ghemawat’s World 3.0 framework.
• Clarified discussion of the disadvantages of expanding internationally.
• Added the CAGE (cultural, administrative, geographic, and economic) distance framework by Ghemawat (unique to this strategy text), with an accompanying exhibit.
• Streamlined coverage of Hofstede’s national culture model.
• Added MTV as an example of an ineffective global-standardization strategy: started with global strategy, moved to multidomestic, now moving to transnational strategy.
• Added new Exhibit 10.6 to show dynamic strategic positioning for MTV Music Channel.
• Added as key terms: CAGE distance framework, multidomestic strategy.
• Added Discussion Question 3 about Ghemawat argument that the world isn’t “flat” but is “semi-globalized.”
• Added a new Ethical/Social Issues section question asking students to predict the persistence of Globalization 3.0 and to project what Globalization 4.0 might look like.
• Added Small-Group Exercise 1 about employment changes as U.S. companies become more globalized.
• Added new myStrategy feature about a personal strategy for building the three components of a global mind-set.

Chapter 11
• Introduced new model of how to assess strategic initiatives in regard to time horizon and resources required.
• Expanded discussion of SWOT implementation with application example (McDonald’s) in the “Implications for the Strategist” section.
• Added and discussed key term: core rigidity.
• Added new Discussion Question 2 asking students to describe the values, norms, and artifacts of an organization with which they are familiar.
• Added new Ethical/Social Issues section question about organization culture and sports teams.
• Added a new small-group exercise asking students to think about how a university might apply the ROWE theory.

Chapter 12
• New ChapterCase on the continuing boardroom soap opera at Hewlett-Packard (highlighting how much HP deviated from its celebrated HP Way, shown in Exhibit 12.1).
• Strengthened the focus on the board of directors as a key corporate governance mechanism.
• Expanded the discussion of corporate governance and moved it to earlier in the chapter. Expansion includes more on agency theory (with related exhibit), adverse selection, moral hazard.
• Integrated discussion (and related exhibit) of a survey about attitudes toward corporate social responsibility across the globe.
• Added new discussion of Porter’s shared value creation framework (unique to this text).
• Added current examples: Galileo Group’s founder, Raj Rajaratnam; Carl Icahn’s attempted LBO of Dell; Fabrice Tourre of Goldman Sachs.
• Added as key terms: shared value creation framework, adverse selection, moral hazard, leveraged buyout.
• Added new Strategy Highlight 12.2 on securities fraud by Fabrice Tourre at Goldman Sachs, and the resulting revision to Goldman’s code of conduct.
• Moved section on strategic leadership to Chapter 2.
• Moved stakeholder impact analysis to Chapter 1.
• Moved discussion of corporate social responsibility to Chapters 1 and 5.
• Added new discussion question about the Business Roundtable's recommendation that the CEO not also serve as chairman of the board.
• Added new discussion question about how Nike might apply the shared value creation framework to global economic and social needs.
• Revised questions related to Small-Group Exercise 2 about the female and minority participation on corporate boards.

MINICASES
• Added 13 brand-new MiniCases, many of which focus on China and Chinese companies competing in the West.
• Updated seven MiniCases from the first edition.

FULL-LENGTH CASES
• Added four brand-new, full-length Cases: Facebook, McDonald’s, BlackBerry, and Amazon.
• All cases—including the new and revised cases plus all cases from the first edition that were authored by Frank Rothaermel—are available through McGraw-Hill Create. Cases include financial data in e-format for analysis.