

# Contents

<b>Preface</b>	<b>xi</b>
<b>Acknowledgments</b>	<b>xv</b>
<b>Introduction</b>	<b>xvii</b>
<b>Chapter 1: Foundations</b>	<b>1</b>
The Purpose of Strategy	2
The Role of the CEO	4
Five Choices That Shape Strategy	6
A Strategic Management Framework	9
<b>Chapter 2: The Economics of Strategic Management</b>	<b>11</b>
Economic Profit	11
Economic Profit and Strategy Valuation	13
The Financial Drivers of Economic Profit and Equity Value	15
The Strategic Drivers of Economic Profit and Equity Value	17
Dealing with Mythology	23
Chapter Summary	29
<b>Chapter 3: Choosing the Right Performance Objectives</b>	<b>31</b>
Aspirations	32
Business Unit Objectives	34
Company Objectives	39
The Tyranny of Top-Down Targets	39
Chapter Summary	46
<b>Chapter 4: Making the Right Participation Choices</b>	<b>49</b>
General Considerations	50
Assessing Participation Opportunities	51

viii ■ Contents

Offering Choices	63
Geographic Market Choices	67
Customer Segment Choices	72
Corporate Participation Choices	75
Chapter Summary	82
<b>Chapter 5: Making the Right Positioning Choices</b>	<b>85</b>
Positioning Choices and Competitive Advantage	86
Business Models	88
Execution Capabilities	107
Corporate Positioning Choices	111
Chapter Summary	122
<b>Chapter 6: Making the Right Organizational Choices</b>	<b>125</b>
The Institutional Imperative	126
Governance Practices	128
Executive Processes	134
Executive Capabilities	151
Chapter Summary	155
<b>Chapter 7: Making the Right Risk Management Choices</b>	<b>157</b>
Clarifying "Risk"	158
Setting Risk Thresholds	160
Portfolio Choices	162
Balance Sheet Choices	166
Ethical Choices	174
Chapter Summary	181
<b>Chapter 8: Making It Work</b>	<b>183</b>
Conditions Conducive to Success	183
Priorities for Change	189
The Prize	195
Chapter Summary	198
<b>Appendix I: Economic Profit Growth, Earnings Growth, and Total Shareholder Returns</b>	<b>201</b>
The Data	201
The Analysis	202
Discussion of the Results	204

<b>Appendix II: Economic Profit and Equity Value</b>	<b>207</b>
Valuation Models	207
Maximizing Economic Profit Growth versus Maximizing Equity Value	209
Valuation Issues	210
<b>Appendix III: Economic Profit and Equity Value: Illustration</b>	<b>213</b>
<b>Appendix IV: Reconsidering the Corporate Center</b>	<b>215</b>
The Need for Change	215
Creating a New Model of the Center	217
Conclusion	221
<b>Appendix V: CEO Pay Practices: An Alternative</b>	<b>223</b>
Typical Package	224
An Alternative Approach	224
Illustrative Compensation Plan	226
Alerting The Board Early and Often	229
<b>Notes</b>	<b>231</b>
<b>Index</b>	<b>239</b>

<http://www.pbookshop.com>

<http://www.pbookshop.com>