

Competitive Solutions: The Strategist's Toolkit.
By R. Preston McAfee. Princeton: Princeton University Press, 2002. Pp. 416. \$59.50. ISBN 0-6910-96465.

For the busy reader, let me provide a quick review by revealed preference: I've assigned this book for my upcoming MBA strategy course. For the reader with more time, let me offer a more in-depth assessment. This book is intended as a text for a business school course in strategy. Strategy is a strange course, insofar as every business school offers it but unlike, say, finance, there is almost no standardization across courses or across schools. This heterogeneity stems, in part, from who "owns" strategy at different schools. At some places, the owners are sociologists or organizational behavior scholars; at other places, they're economists or fellow travelers; and, at a few places, there's an uneasy joint custody. Even when economists own it, there is a division between old-style business-policy types, who typically have little patience for game theory, and game-theoretic IO economists, who view strategy as applied modern IO (except the concern is to make profits, not maximize welfare). Professor McAfee's book is intended for this last group. While, by revelation, I am sympathetic to this last group, it is worth emphasizing that modern game-theoretic IO is a *tool* to aid strategic thinking; it is not strategy itself. This is a view shared by Professor McAfee, who explicitly offers this book as a toolkit. What this means, however, is that the book needs to be supplemented if one is to have a strategy course that does justice to the subject. A carpentry class is, after all, more than just reading the manuals for the drills and saws. In particular, a professor using this book will need to augment it with cases. He or she should also incorporate insights from organizational sociology, particularly resource dependence and institutional issues such as power, authority, corporate culture, and social rationales for actions, such as legitimacy (among these terms, only "corporate culture" can be found in the book's index). Although the book is not a complete text for a strategy course, it makes a very good backbone around which to build a course. While gametheoretic IO does not encompass all of strategy, it does overlap significantly and this book does an excellent job of translating the insights of modern IO into language that business students can readily grasp. Moreover, it stresses the message that strategy, unlike, say, accounting, is not about applying rules but about thinking. The book makes clear that it is a toolkit, not a cookbook. This may not appeal to the sort of student who likes to regurgitate formulae on exams, but it will be appreciated by the more reflective student. The book begins traditionally with an overview of industry analysis and the Porter framework. It covers cost-cutting and value-creating strategies,

product differentiation, pricing strategies, and exploitation of repeated play to sustain cooperative outcomes. Professor McAfee does a nice job of interspersing real-life examples with the theoretical development; such examples serve both to illustrate the arguments and to "sell" the ideas (a common student reaction to a theoretical insight is to ask whether any company utilizes it—students are not inclined to pay attention unless an insight is legitimized by at least one real data point). The book also covers vertical integration and some issues in organizational design, such as the use of incentives. A very nice feature is a chapter on antitrust, about which students are typically woefully—and dangerously—ignorant. The back half of the book contains a lot of material that, although well presented, many professors will not find useful. The chapter on basic statistics simply doesn't belong—in any decent business program the students should have seen this material already and it would be a major digression to teach it in a strategy course. A stronger case for inclusion can be made on behalf of the chapters on auctions, signaling, and bargaining; but, with the exception of signaling's application to entry deterrence strategies, these are nevertheless not topics that fit all that well, even in a strategy course that has a heavy game-theoretic orientation. Some of this material that fits less well corresponds to research areas in which Professor McAfee has produced important research. More generally, one senses that Professor McAfee has often included material simply because he finds it interesting or amusing rather than because it necessarily fits. For instance, the checklist of signs that a co-worker is poised to go "postal" is interesting and, even, arguably useful; but it is hard for me to see that it belongs in a book on tools for strategy. The page-and-a-half joke on buying paint from an airline might amuse some students, but is more likely to be seen as wasted reading. How the economics profession judges letters of recommendation is cute if you're in the profession but will, at best, be seen as pointless by students. Textbook authors may believe they're doing students a service by making their texts more "entertaining" but, from experience, it seems students strongly prefer to purchase their education and entertainment *unbundled*. Professor McAfee writes well, but unless one writes like Clancy, Grisham or King, short and to the point remain desirable features in a textbook. Despite these quibbles, I am confident that this is a book that will be well received by good students and will serve well as the main text in any strategy course that approaches the topic principally from a modern IO perspective.

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