



NINTH EDITION

# STRATEGIC MANAGEMENT

CONCEPTS & CASES

FRED R. DAVID

*Francis Marion University*



Prentice Hall Upper Saddle River, New Jersey 07458



*To Joy, Forest, Byron, and Meredith—my wife and children—  
for their encouragement and love.*

---

David, Fred R.

Strategic management: concepts and cases / Fred R. David.—9th ed.  
p. cm.

Includes bibliographical references and indexes.

ISBN 0-13-047912-8

1. Strategic planning—Case studies. 2. Strategic planning. I. Title.

HD30.28.D385 2002

658.4'012—dc21

2002031173

Acquisitions Editor: Jennifer Glennon

Editor-in-Chief: Jeff Shelstad

Assistant Editor: Melanie Olsen

Marketing Manager: Shannon Moore

Media Project Manager: Michele Faranda

Editorial Assistant: Kevin Glynn

Managing Editor (Production): Judy Leale

Production Editor: Marcela Maslanczuk

Production Assistant: Joseph Diprosperos

Permissions Coordinator: Suzanne Grappi

Associate Director, Manufacturing: Vincent Scelta

Production Manager: Arnold Vila

Art Manager: Maria Lange

Interior Design: Steven Frim/Donna Wickes

Cover Design: Steven Frim

Cover Illustration/Photo: Superstock

Manager, Print Production: Christy Mahon

Composition: Black Dot Group

Cover Printer: Phoenix

Printer/Binder: R.R. Donnelley – Willard

Credits and acknowledgments borrowed from other sources and reproduced, with permission, in this textbook appear on appropriate page within text.

Copyright © 2003, 2000 by Pearson Education, Inc., Upper Saddle River, New Jersey, 07458. All rights reserved. Printed in the United States of America. This publication is protected by Copyright and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or likewise. For information regarding permission(s), write to: Rights and Permissions Department.

Pearson Education LTD.

Pearson Education Australia PTY, Limited

Pearson Education Singapore, Pte. Ltd

Pearson Education North Asia Ltd

Pearson Education, Canada, Ltd

Pearson Educación de Mexico, S.A. de C.V.

Pearson Education—Japan

Pearson Education Malaysia, Pte. Ltd



10 9 8 7 6 5 4 3 2 1  
ISBN 0-13-047912-8

# BRIEF CONTENTS



PREFACE 000

## INTRODUCTION

How to Analyze a Business Case 000

## PART 1 ►

Overview of Strategic Management 2

### CHAPTER 1

The Nature of Strategic Management 2

COHESION CASE: AMERICAN AIRLINES—2002 32

## PART 2 ►

Strategy Formulation 54

### CHAPTER 2

The Business Mission 54

### CHAPTER 3

The External Assessment 78

### CHAPTER 4

The Internal Assessment 118

### CHAPTER 5

Strategies in Action 156

### CHAPTER 6

Strategy Analysis and Choice 194

## PART 3 ►

Strategy Implementation 234

### CHAPTER 7

Implementing Strategies: Management Issues 234

### CHAPTER 8

Implementing Strategies: Marketing, Finance/Accounting, R&D, and MIS Issues 274

## PART 4 ►

Strategy Evaluation 298

### CHAPTER 9

Strategy Review, Evaluation, and Control 298

NAME INDEX 000

SUBJECT INDEX 000

COMPANY INDEX 000

CASES 1



# CONTENTS



PREFACE 000

## INTRODUCTION

### HOW TO ANALYZE A BUSINESS CASE 000

WHAT IS A BUSINESS POLICY CASE? 000

GUIDELINES FOR PREPARING CASE ANALYSES 000

The Need for Practicality 000 ► The Need for Justification 000 ► The Need for Realism 000  
► The Need for Specificity 000 ► The Need for Originality 000 ► The Need to Contribute 000

PREPARING A CASE FOR CLASS DISCUSSION 000

The Case Method Versus Lecture Approach 000  
► The Cross-Examination 000

PREPARING A WRITTEN CASE ANALYSIS 000

The Executive Summary 000 ► The Comprehensive Written Analysis 000 ► Steps in Preparing a Comprehensive Written Analysis 000

MAKING AN ORAL PRESENTATION 000

Organizing the Presentation 000 ► Controlling Your Voice 000 ► Managing Body Language 000  
► Speaking from Notes 000 ► Constructing Visual Aids 000 ► Answering Questions 000

FIFTY TIPS FOR SUCCESS IN CASE ANALYSIS 000

MASTERING STRATEGY 000

THE MASTERING STRATEGY ENVIRONMENT 000

## PART 1 ►

Overview of Strategic Management 2

## CHAPTER 1

### THE NATURE OF STRATEGIC MANAGEMENT 2

WHAT IS STRATEGIC MANAGEMENT? 5

Defining Strategic Management 5 ► Stages of Strategic Management 5 ► Integrating Intuition and Analysis 7  
► Adapting to Change 7

KEY TERMS IN STRATEGIC MANAGEMENT 8

Strategists 8 ► Vision and Mission Statements 9  
► External Opportunities and Threats 10 ► Internal Strengths and Weaknesses 11 ► Long-Term Objectives 11 ► Strategies 11 ► Annual Objectives 12 ► Policies 13

THE STRATEGIC-MANAGEMENT MODEL 13

BENEFITS OF STRATEGIC MANAGEMENT 15

Financial Benefits 16 ► Nonfinancial Benefits 16

WHY SOME FIRMS DO NO STRATEGIC PLANNING 17

PITFALLS IN STRATEGIC PLANNING 18

GUIDELINES FOR EFFECTIVE STRATEGIC MANAGEMENT 18

BUSINESS ETHICS AND STRATEGIC MANAGEMENT 20

COMPARING BUSINESS AND MILITARY STRATEGY 24

THE NATURE OF GLOBAL COMPETITION 25

Advantages and Disadvantages of International Operations 27

COHESION CASE: AMERICAN AIRLINES-2002 32

**EXPERIENTIAL EXERCISES 50**

- Experiential Exercise 1A: Strategy Analysis for American Airlines (AMR) 50
- Experiential Exercise 1B: Developing a Code of Business Ethics for American Airlines (AMR) 50
- Experiential Exercise 1C: The Ethics of Spying on Competitors 51
- Experiential Exercise 1D: Strategic Planning for My University 52
- Experiential Exercise 1E: Strategic Planning at a Local Company 52
- Experiential Exercise 1F: Does My University Recruit in Foreign Countries? 53
- Experiential Exercise 1G: Getting Familiar with SMCO 53

**PART 2 ►****Strategy Formulation 54****CHAPTER 2****THE BUSINESS MISSION 54**

- WHAT DO WE WANT TO BECOME? 56
- WHAT IS OUR BUSINESS? 59
  - Vision versus Mission 59 ► The Process of Developing a Mission Statement 60
- IMPORTANCE OF VISION AND MISSION STATEMENTS 61
  - A Resolution of Divergent Views 62
- CHARACTERISTICS OF A MISSION STATEMENT 63
  - A Declaration of Attitude 63 ► A Customer Orientation 66 ► A Declaration of Social Policy 68
- COMPONENTS OF A MISSION STATEMENT 68
- WRITING AND EVALUATING MISSION STATEMENTS 69

**EXPERIENTIAL EXERCISES 75**

- Experiential Exercise 2A: Evaluating Mission Statements 75
- Experiential Exercise 2B: Writing a Vision and Mission Statement for American Airlines (AMR) 76
- Experiential Exercise 2C: Writing a Vision and Mission Statement for My University 76
- Experiential Exercise 2D: Conducting Mission Statement Research 77

**CHAPTER 3****THE EXTERNAL ASSESSMENT 78**

- THE NATURE OF AN EXTERNAL AUDIT 80
  - Key External Forces 80 ► The Process of Performing an External Audit 80
- ECONOMIC FORCES 82

**SOCIAL, CULTURAL, DEMOGRAPHIC, AND ENVIRONMENTAL FORCES 84**

- The U.S.-Mexican Border 86

**POLITICAL, GOVERNMENTAL, AND LEGAL FORCES 87****TECHNOLOGICAL FORCES 92****COMPETITIVE FORCES 94**

- Competitive Intelligence Programs 94 ► Cooperation Among Competitors 97

**COMPETITIVE ANALYSIS: PORTER'S FIVE-FORCES MODEL 98**

- Rivalry Among Competing Firms 100 ► Potential Entry of New Competitors 100 ► Potential Development of Substitute Products 101 ► Bargaining Power of Suppliers 101 ► Bargaining Power of Consumers 101

**SOURCES OF EXTERNAL INFORMATION 101**

- Internet 103

**FORECASTING TOOLS AND TECHNIQUES 103**

- Making Assumptions 105

**THE GLOBAL CHALLENGE 106**

- Multinational Corporations 106 ► Globalization 106 ► China: Opportunities and Threats 108

**INDUSTRY ANALYSIS: THE EXTERNAL FACTOR EVALUATION (EFE) MATRIX 110****THE COMPETITIVE PROFILE MATRIX (CPM) 112****EXPERIENTIAL EXERCISES 116**

- Experiential Exercise 3A: Developing an EFE Matrix for American Airlines (AMR) 116
- Experiential Exercise 3B: The Internet Search 116
- Experiential Exercise 3C: Developing an EFE Matrix for My University 116
- Experiential Exercise 3D: Developing a Competitive Profile Matrix for American Airlines (AMR) 117
- Experiential Exercise 3E: Developing a Competitive Profile Matrix for My University 117

**CHAPTER 4****THE INTERNAL ASSESSMENT 118****THE NATURE OF AN INTERNAL AUDIT 120**

- Key Internal Forces 120 ► The Process of Performing an Internal Audit 121

**INTEGRATING STRATEGY AND CULTURE 123**

- American versus Foreign Cultures 125

**MANAGEMENT 128**

- Planning 128 ► Organizing 130 ► Motivating 131 ► Staffing 132 ► Controlling 132 ► Management Audit Checklist of Questions 133

**MARKETING 133**

- Customer Analysis 133 ► Selling Products/Services 134
- Product and Service Planning 000 ► Pricing 134 ►
- Distribution 135 ► Marketing Research 136

**OPPORTUNITY ANALYSIS 137**

- Marketing Audit Checklist of Questions 137

**FINANCE/ACCOUNTING 137**

- Finance/Accounting Functions 138 ► Basic Types of
- Financial Ratios 138 ► Finance/Accounting Audit
- Checklist of Questions 142

**PRODUCTION/OPERATIONS 143**

- Production/Operations Audit Checklist of Questions 144

**RESEARCH AND DEVELOPMENT 146**

- Internal and External R&D 146 ► Research and
- Development Audit Checklist of Questions 147

**MANAGEMENT INFORMATION SYSTEMS 147**

- Strategic Planning Software 148 ► Management
- Information Systems Audit Checklist of Questions 149

**THE INTERNAL FACTOR EVALUATION (IFE)****MATRIX 149****EXPERIENTIAL EXERCISES 154**

- Experiential Exercise 4A: Performing a Financial Ratio
- Analysis for American Airlines (AMR) 154
- Experiential Exercise 4B: Constructing an IFE Matrix for
- American Airlines (AMR) 154
- Experiential Exercise 4C: Constructing an IFE Matrix for
- My University 154

**CHAPTER 5****STRATEGIES IN ACTION 156****LONG-TERM OBJECTIVES 158**

- The Nature of Long-Term Objectives 158 ► Not
- Managing by Objectives 159

**TYPES OF STRATEGIES 159****INTEGRATION STRATEGIES 160**

- Forward Integration 161 ► Backward Integration 163
- Horizontal Integration 164

**INTENSIVE STRATEGIES 165**

- Market Penetration 165 ► Market Development 165
- Product Development 166

**DIVERSIFICATION STRATEGIES 167**

- Concentric Diversification 169 ► Horizontal
- Diversification 169 ► Conglomerate Diversification 170

**DEFENSIVE STRATEGIES 170**

- Retrenchment 170 ► Divestiture 173
- Liquidation 173

**MICHAEL PORTER'S GENERIC STRATEGIES 174**

- Cost Leadership Strategies 175 ► Differentiation
- Strategies 175 ► Focus Strategies 176 ► The Value
- Chain 177

**MEANS FOR ACHIEVING STRATEGIES 177**

- Joint Venture/Partnering 177

**MERGER/ACQUISITION 180****STRATEGIC MANAGEMENT IN NONPROFIT AND GOVERNMENTAL ORGANIZATIONS 182**

- Educational Institutions 183 ► Medical Organizations
- 183 ► Governmental Agencies and Departments 185

**STRATEGIC MANAGEMENT IN SMALL FIRMS 185****EXPERIENTIAL EXERCISES 190**

- Experiential Exercise 5A: What Happened at American
- Airlines (AMR) in the Year 2002? 190
- Experiential Exercise 5B: Examining Strategy Articles 190
- Experiential Exercise 5C: Classifying Some Year 2002
- Strategies 191
- Experiential Exercise 5D: How Risky Are Various
- Alternative Strategies? 191
- Experiential Exercise 5E: Developing Alternative Strategies
- for My University 192
- Experiential Exercise 5F: Lessons in Doing Business
- Globally 193

**CHAPTER 6****STRATEGY ANALYSIS AND CHOICE 194****THE NATURE OF STRATEGY ANALYSIS AND CHOICE 196**

- The Process of Generating and Selecting Strategies 197

**A COMPREHENSIVE STRATEGY-FORMULATION FRAMEWORK 198****THE INPUT STAGE 199****THE MATCHING STAGE 199**

- The Threats-Opportunities-Weaknesses-Strengths (TOWS)
- Matrix 200 ► The Strategic Position and Action
- Evaluation (SPACE) Matrix 204 ► The Boston Consulting
- Group (BCG) Matrix 206 ► The Internal-External (IE)
- Matrix 211 ► The Grand Strategy Matrix 213

**THE DECISION STAGE 215**

- The Quantitative Strategic Planning Matrix (QSPM) 215
- Positive Features and Limitations of the QSPM 219

**CULTURAL ASPECTS OF STRATEGY CHOICE 219****THE POLITICS OF STRATEGY CHOICE 220****THE ROLE OF A BOARD OF DIRECTORS 221****EXPERIENTIAL EXERCISES 228**

- Experiential Exercise 6A: Developing a TOWS Matrix for
- American Airlines (AMR) 228

Experiential Exercise 6B: Developing a SPACE Matrix for American Airlines (AMR)	228
Experiential Exercise 6C: Developing a BCG Matrix for American Airlines (AMR)	228
Experiential Exercise 6D: Developing a QSPM for American Airlines (AMR)	229
Experiential Exercise 6E: Formulating Individual Strategies	229
Experiential Exercise 6F: The Mach Test	229
Experiential Exercise 6G: Developing a BCG Matrix for My University	231
Experiential Exercise 6H: The Role of Boards of Directors	232
Experiential Exercise 6I: Locating Companies in a Grand Strategy Matrix	232

### PART 3 ►

## Strategy Implementation 234

### CHAPTER 7

#### IMPLEMENTING STRATEGIES: MANAGEMENT ISSUES 234

THE NATURE OF STRATEGY IMPLEMENTATION	236
Management Perspectives	237
ANNUAL OBJECTIVES	238
POLICIES	240
RESOURCE ALLOCATION	241
MANAGING CONFLICT	243
MATCHING STRUCTURE WITH STRATEGY	243
The Functional Structure	245
► The Divisional Structure	245
► The Strategic Business Unit (SBU) Structure	247
► The Matrix Structure	247
RESTRUCTURING, REENGINEERING AND E-ENGINEERING	248
Restructuring	250
► Reengineering	251
LINKING PERFORMANCE AND PAY TO STRATEGIES	251
MANAGING RESISTANCE TO CHANGE	253
MANAGING THE NATURAL ENVIRONMENT	255
CREATING A STRATEGY-SUPPORTIVE CULTURE	257
The Mexican Culture	258
► The Russian Culture	259
► The Japanese Culture	260
PRODUCTION/OPERATIONS CONCERNS WHEN IMPLEMENTING STRATEGIES	261
HUMAN RESOURCE CONCERNS WHEN IMPLEMENTING STRATEGIES	262
Employee Stock Ownership Plans (ESOPs)	264
► Balancing Work Life and Home Life	265
► Benefits of a Diverse Workforce	267

### EXPERIENTIAL EXERCISES 272

Experiential Exercise 7A: Revising American Airline's (AMR's) Organizational Chart	272
Experiential Exercise 7B: Do Organizations Really Establish Objectives?	272
Experiential Exercise 7C: Understanding My University's Culture	272

### CHAPTER 8

#### IMPLEMENTING STRATEGIES: MARKETING, FINANCE/ACCOUNTING, R&D, AND MIS ISSUES 274

THE NATURE OF STRATEGY IMPLEMENTATION	276
MARKETING ISSUES	276
Market Segmentation	278
► Does the Internet Make Market Segmentation Easier?	281
► Product Positioning	281
FINANCE/ACCOUNTING ISSUES	283
Acquiring Capital to Implement Strategies	283
► Pro Forma Financial Statements	285
► Financial Budgets	287
► Evaluating the Worth of a Business	288
► Deciding Whether to Go Public	289
RESEARCH AND DEVELOPMENT (R&D) ISSUES	290
MANAGEMENT INFORMATION SYSTEMS (MIS) ISSUES	292
EXPERIENTIAL EXERCISES	296
Experiential Exercise 8A: Developing a Product-Positioning Map for American Airlines (AMR)	296
Experiential Exercise 8B: Performing an EPS/EBIT Analysis for American Airlines (AMR)	296
Experiential Exercise 8C: Preparing Pro Forma Statements for American Airlines (AMR)	296
Experiential Exercise 8D: Determining the Cash Value of American Airlines (AMR)	297
Experiential Exercise 8E: Developing a Product-Positioning Map for My University	297
Experiential Exercise 8F: Do Banks Require Pro Forma Statements?	297

### PART 4

## Strategy Evaluation 298

### CHAPTER 9

#### STRATEGY REVIEW, EVALUATION, AND CONTROL 298

THE NATURE OF STRATEGY EVALUATION	300
The Process of Evaluating Strategies	303
A STRATEGY-EVALUATION FRAMEWORK	304
Reviewing Bases of Strategy	305
► Measuring Organizational Performance	307
► Taking Corrective Actions	308

PUBLISHED SOURCES OF STRATEGY-EVALUATION  
INFORMATION 309

CHARACTERISTICS OF AN EFFECTIVE EVALUATION  
SYSTEM 311

CONTINGENCY PLANNING 313

AUDITING 314

The Environmental Audit 315

USING COMPUTERS TO EVALUATE STRATEGIES 316

### EXPERIENTIAL EXERCISES 320

Experiential Exercise 9A: Preparing a Strategy-Evaluation  
Report for American Airlines (AMR) 320

Experiential Exercise 9B: Evaluating My University's  
Strategies 320

Experiential Exercise 9C: Who Prepares an Environmental  
Audit? 320

### NAME INDEX 000

### SUBJECT INDEX 000

### COMPANY INDEX 000

## STRATEGIC MANAGEMENT CASES

### SERVICE COMPANIES

#### AIRLINES

Southwest Airlines Co.—2002 Amit Shah and  
Charles R. Sterrett 2

US Airways Group, Inc.—2002 John C. Urbanski and  
Eugene M. Bland 14

#### INTERNET COMPANIES

E\*Trade Group, Inc.—2002 Sandra H. DuRant 27

EBay—2002 Will Eskridge 38

Amazon.Com, Inc.—2002 Margie Goodson 54

#### RETAILERS

Limited Brands—2002 M. Jill Austin 65

Wal-Mart Stores, Inc.—2002 Amit Shah and  
Tyra Phipps 78

Target Corporation—2002 Henry Beam 93

Best Buy Company, Inc.—2002 Alen Badal 105

#### HOTEL AND GAMING

Mandalay Resort Group—2002 John K. Ross, III, Mike  
Keeffe, and Bill Middlebrook 115

Harrah's Entertainment, Inc.—2002 Mary R.  
Dittman 129

#### BANKS

Wachovia Corporation—2002 Fred R. David 143

First State Bank of Roans Prairie—2002 Paul Reed,  
Jason Gooch, and Gerald Kohers 150

#### ZOOS AND CLUBS

The Audubon Nature Institute—2002 Caroline M.  
Fisher 159

Riverbanks Zoological Park and Botanical Garden—2002  
Carolyn R. Stokes and Eugene M. Bland 174

#### TRAVEL

Carnival Corporation—2002 Mike Keeffe, John K. Ross,  
III, and Bill Middlebrook 185

Royal Caribbean Cruises, Ltd.—2002 Lenessa E.  
Hawkins 196

#### CHURCHES

Central United Methodist Church—2002 Robert T.  
Barrett 206

Elkins Lake Baptist Church—2002 Paul R. Reed,  
William B. Green, and Diane J. Green 215

#### RETAILERS

Winn-Dixie Stores, Inc.—2002 Brian Kinard 225

Strictly Roots Natural Hair Care Salon—2002 Paul R.  
Reed, Anthony Williams, Valerie Muehsam, and Donald  
Bumpass 236

### MANUFACTURING COMPANIES

#### TRANSPORTATION

The Classic Car Club of America—2002 Matthew C.  
Sonfield 242

Harley-Davidson, Inc.—2002 Richard A. Cox 253

Winnebago Industries—2002 John G. Marcis and  
Eugene M. Bland 264

#### COSMETICS

Avon Products, Inc.—2002 James Camerius 274

Revlon, Inc.—2002 M. Jill Austin 284

#### FOOD

Pilgrim's Pride Corporation—2002 James L. Harbin 295

H.J. Heinz Company—2002 Henry Beam 305

Hershey Foods Corporation—2002 Forest David 317

#### AEROSPACE

Boeing—2002 Carolyn R. Stokes and Arthur S.

Boyett 326

Lockheed Martin Corporation—2002 K. Todd  
Ellison 337

#### COMPUTERS

Dell Computer Corporation—2002 Nicole  
Seminario 348

Hewlett-Packard Company—2002 Fred David 358

#### MEDICAL

Stryker Corporation—2002 Henry H. Beam 000

Biomet, Inc.—2002 Satish P. Deshpande 000

#### MAGAZINES

Playboy Enterprises, Inc.—2002 Kay Lawrimore-  
Belanger 000

The Reader's Digest Association, Inc.—2002 Robert  
Shane 000

FOOTWEAR

Nike, Inc.—2002 M. Jill Austin 000

Reebok International, Ltd.—2002 Carlisle P.

Sampson 000

TOBACCO AND BEER

UST, Inc.—2002 Marilyn M. Helms 000

Coors—2002 Stephanie Wilhelm 000

# PREFACE



The global recession and war on terrorism has ushered in a radically different and more complex business world than it was just two years ago, when the previous edition of this text was published. E-commerce has changed the nature of business to its core. Thousands of strategic alliances and partnerships were formed in 2000 and 2002. Hundreds of companies declared bankruptcy, and interest rates fell to the—lowest level in fifty years. Downsizing, rightsizing, reengineering, and countless divestitures, acquisitions, and liquidations permanently altered the corporate landscape. Thousands of firms globalized, and thousands more merged in the last two years. Thousands prospered, and yet thousands more failed. Many manufacturers became e-commerce suppliers, and many rival firms became partners. Long-held competitive advantages eroded, and new ones formed. Both the challenges and opportunities facing organizations of all sizes today are greater than ever.

Changes made in this ninth edition are aimed squarely at illustrating the effect of this new world order on strategic-management theory and practice. Changes in this edition are substantial. To survive and prosper in the new millennium, organizations must build and sustain a competitive advantage. This new edition provides up-to-date, state-of-the-art coverage of strategic-management concepts and techniques for achieving a competitive advantage.

Our mission in preparing the ninth edition of *Strategic Management* was “to create the most current, well-written business policy textbook on the market—a book that is exciting and valuable to both students and professors.” To achieve this mission, every page has been revamped, updated, and improved. New strategic-management research and practice are incorporated throughout the chapters, and hundreds of new examples abound. There is a new Cohesion Case on American Airlines—2002.

Scores of reviewers and I believe American Airlines—2002 you will find this edition to be the best ever—and now the best business policy textbook available for communicating both the excitement and value of strategic management. The text is concise and exceptionally well organized. Now published in six different languages—English, Chinese, Spanish; Arabic, Indonesian, and Japanese—this text is perhaps the most widely used strategic-planning book in the world.



## SPECIAL NOTE TO PROFESSORS

This textbook meets all AACSB guidelines for the business policy and strategic management course at both the graduate and undergraduate levels. Previous editions of this

text have been used at more than five hundred colleges and universities. Prentice Hall maintains a separate Web site for this text at [www.prenhall.com/david](http://www.prenhall.com/david). The author maintains the Strategic Management Club Online Web site at [www.strategicclub.com](http://www.strategicclub.com). Membership is now free to both professors and students.

Although the structure of this edition parallels the last, dramatic improvements have been made in readability, currentness, and coverage. In keeping with the mission “to become the most current, well-written business policy textbook on the market,” every page has undergone rethinking and rewriting to streamline, update, and improve the caliber of presentation. A net result of this activity is that every chapter is shorter in length. New concepts and practices in strategic management are presented in a style that is clear, focused, and relevant.



## CHAPTER THEMES

Three themes permeate all chapters in this edition and contribute significantly to making this text timely, informative, exciting, and valuable. A new boxed insert for each theme and substantial new narrative appear in each chapter. The three themes follow.

### *1. Global Factors Affect Virtually All Strategic Decisions*

The global theme is greatly enhanced in this edition because doing business globally has become a necessity, rather than a luxury, in most industries. Nearly all strategic decisions today are affected by global issues and concerns. There is substantial new global coverage in each chapter due to growing interdependence among countries and companies worldwide. The dynamics of political, economic, and cultural differences across countries directly affect strategic management decisions. Doing business globally is more risky and complex than ever before. The global theme is targeted at illustrating how organizations today can effectively do business in the new millennium.

### *2. E-Commerce Is a Vital Strategic Management Tool*

The e-commerce theme is deeply integrated throughout the chapters in response to immense e-commerce opportunities and threats facing organizations today. Almost all products can now be purchased over the Internet. Business-to-business e-commerce is ten times greater even than business-to-consumer e-commerce. The accelerating use of the Internet to gather, analyze, send, and receive information has changed the way strategic decisions are made. Since the last edition, literally millions of companies have established World Wide Web sites and are conducting e-commerce internationally.

### *3. Preserving the Natural Environment Is a Vital Strategic Issue*

Unique to strategic-management texts, the natural environment theme is strengthened in this edition in order to promote and encourage firms to conduct operations in an environmentally sound manner. Countries worldwide have enacted laws to curtail firms from polluting streams, rivers, the air, land, and sea. Environmental concerns are a new point of contention in World Trade Organization (WTO) policies and practices. The strategic efforts of both companies and countries to preserve the natural environment are described in this edition. Respect for the natural environment has become an important concern for consumers, companies, society, and the AACSB.



## TIME-TESTED FEATURES

This edition continues many of the special time-tested features and content that have made this text so successful over two decades. Trademarks of this text strengthened in this edition are as follows:

- The 2002 timeframe for cases offers the most current set in any business policy text on the market.
- The cases focus on well-known firms in the news making strategic changes. All cases are undisguised and most are exclusively written for this text to reflect current strategic-management problems and practices.
- The cases feature a great mix of small business, international, and not-for-profit firms organized conveniently by industry.
- All cases have been class tested to ensure that they are interesting, challenging, and effective for illustrating strategic-management concepts.
- Almost all cases provide complete financial information about the firm and an organizational chart.
- Customized inclusion of cases to comprise a tailored text is available to meet the special needs of some professors.
- A split-paperback version including only cases is available.
- An outstanding ancillary package, including a comprehensive *Instructor's Manual* and an elaborate *Case Instructor's Manual*. An extensive transparency package, color case videos, PowerPoint diskettes, and computerized test bank come free with adoption.



## KEY CHAPTER IMPROVEMENTS

- Dramatically improved coverage of global issues and concerns has been woven into every chapter.
- Mostly new E-Commerce Perspective boxed inserts appear in each chapter to portray the increasing reliance upon e-commerce by both large and small firms.
- Mostly new Global Perspective boxed inserts are provided in each chapter to support the expanded Global theme.
- Mostly new Natural Environment perspective boxed inserts appear in each chapter to show strategic relevance of this issue to business.
- All new examples are provided in every chapter.
- New research is integrated into every chapter, with new current readings at the end of each chapter.
- More than one hundred new Web site addresses are provided throughout the chapters in a new Visit The Net Feature.



## TIME TESTED FEATURES—CASES

This edition continues many of the time-tested features and content that have made this text so successful over the last two decades. Trademarks of this text strengthened in this edition are as follows:

- The 2002 timeframe for cases offers the most current set in any business policy text on the market.
- The cases focus on well-known firms in the news making strategic changes. All cases are undisguised and most are exclusively written for this text to reflect current strategic-management problems and practices.
- The cases feature a great mix of small business, international, and not-for-profit firms organized conveniently by industry.
- All cases have been class tested to ensure that they are interesting, challenging, and effective for illustrating strategic-management concepts.
- Almost all cases provide complete financial information about the firm and an organizational chart.
- Customized inclusion of cases to comprise a tailored text is available to meet the special needs of some professors.
- A split-paperback version including only cases is available.
- An outstanding ancillary package, including a comprehensive *Instructor's Manual* and an elaborate *Case Instructor's Manual*. An extensive transparency package, color case videos, PowerPoint diskettes, and computerized test bank come free with adoption.

### Changes in the Cases

- Eight brand-new, year 2001 cases focusing on companies in the news appear exclusively for the first time in this text. The cases are:

Winn-Dixie	Wachovia Corporation
Coors Brewing	Hewlett-Packard
Royal Caribbean	First State Bank of Roan's Prairie
Strictly Roots Natural Hair Salon	US Airways

- Thirty-two fully updated cases from the last edition are included as follows:

Reader's Digest Association	Southwest Airlines Co.
Reebok International	Central United Methodist Church
E*Trade	Elkins Lake Baptist Church
e Bay	Harley-Davidson
Amazon.com	Winnebago Industries
Lockheed Martin Corporation	Avon Products
Dell Computer Corporation	Revlon
The Limited	UST
Wal-Mart Stores	Pilgrim's Pride Corporation
Target Corporation	H. J. Heinz Company
Mandalay Resort Group	Hershey Foods Corporation
Harrah's Entertainment	The Boeing Company
The Audubon Institute	Stryker Corporation
Riverbanks Zoological Park and Botanical Garden	Biomet
The Classic Car Club of America	Playboy Enterprises
Carnival Corporation	Nike

- The new mix of forty cases includes a nice balance of twenty service companies and twenty manufacturing companies
- The new mix of cases includes three purely e-commerce cases to support the new e-commerce theme. The cases are E\*Trade, eBay, and Amazon.
- The new mix of cases includes eight small-business cases and six not-for-profit cases.
- The new mix of cases include thirty-two "international" companies.

- Chapter 2 titled “The Business Mission”—Extensive new coverage of vision statements is provided including numerous examples. All-new example mission statements are provided and evaluated. New topics include Concern About Company Mission Across Continents and Vision Versus Mission. Chapter material is totally reorganized to improve caliber of presentation.
- Chapter 3 titled “The External Assessment”—Fully updated Web site references and narrative with all new examples. New headings include The Global Challenge, Politics in Mexico, Politics in Russia, Politics in China, Is the Internet Revolution Bypassing the Poor, Minorities?, What Country is the Most Wireless Nation? Expanded coverage of Competitive Intelligence and Cooperation Among Competitors is provided. New demographic trend information included.
- Chapter 4 titled “The Internal Assessment”—New headings, subheadings, and topics include: American Versus Foreign Cultures, Changing Role of Women in Japan, E-Stores Replacing Brick Stores. All new examples provided. Prior table giving internal audit checklist of questions now integrated throughout the chapter. Extensive new advertising and global material.



## ANCILIARY MATERIALS

- *Instructor’s Resource CD-ROM*. Includes improved PowerPoint slides, offering professors easy lecture outlines for in-class presentations. Chapter headings and topics are highlighted on up to forty PowerPoint slides per chapter. The *Instructor’s Manual* and Test Item File are also included.
- *Case Instructor’s Manual*. Provides a comprehensive teacher’s note for all forty-one cases. The teachers’ notes feature detailed analyses, classroom discussion questions with answers, an external and internal assessment, specific recommendations, strategy implementation material, and an epilogue for each case. Each teachers’ note is also provided on a PowerPoint slide for convenience to the professor.
- *Instructor’s Manual with Test Item File*. Provides lecture notes, teaching tips, answers to all end of chapter Experiential Exercises and Review Questions, additional Experiential Exercises not in the text, sample course syllabi, and a Test Item file with multiple-choice use true/false questions.
- *Twenty Color Case Video Segments*. To accompany the Cohesion Case, a color video prepared by American Airlines is available to adopters free of charge. Shown near the beginning of the course, the American Airlines video can arouse students’ interest in studying the Cohesion Case and completing Experiential Exercises that apply chapter material to this case. In addition, a collection of nineteen other color case video segments is available free of charge. The segments average fifteen minutes each and were professionally prepared by firms used in cases in this text.
- *The Prentice Hall Companion Website* [www.prenhall.com/david](http://www.prenhall.com/david) Features an interactive and exciting online student study guide. Students can access multiple-choice, true/false, and Internet-based essay questions that accompany each chapter in the text. Objective questions are scored online, and incorrect answers are keyed to the text for student review. And drunleadable supplement are available for faculty.
- *Standard Web CT—Free to Adoptors*. Standard Web CT, an online course from Prentice Hall, features Companion Web Site and Test Item File Content in an easy-to-use system. Developed by educators for educators and their students, the online content and tools feature the most advanced educational technology and instructional design available today. The rich set of materials, communication

tools, and course management resources can be easily customized either to enhance a traditional course or to create the entire course online.

- *Transparency Masters.* Approximately one hundred transparency masters are available with this text. These transparencies feature figures and key topics in the text and are provided as full-colour acetates.
- *Printed and Computerized Test Bank.* The test bank for this text includes 737 True/False questions, 425 multiple-choice questions, and 202 essay questions for the text chapters. Answers to all objective questions are provided. The test questions given in the *Instructor's Manual* are also available on computerized text software to facilitate preparing and grading tests.
- *Blackboard* Easy to use, Blackboard's single template and tools make it easy to create, manage, and use online course materials. Instructors can create online courses using the Blackboard tools, which include design, communication, testing, and course management tools. For more information, please visit our website located at <http://www.prenhall.com/blackboard>.
- *CourseCompass* This customizable, interactive online course management tool powered by Blackboard provides the most intuitive teaching and learning environment available. Instructors can communicate with students, distribute course material, and access student progress online. For further information, please visit our website located at <http://www.prenhall.com/coursecompass>.



## SPECIAL NOTE TO STUDENTS

Welcome to business policy. This is a challenging and exciting course that will allow you to function as the owner or chief executive officer of different organizations. Your major task in this course will be to make strategic decisions and to justify those decisions through oral and written communication. Strategic decisions determine the future direction and competitive position of an enterprise for a long time. Decisions to expand geographically or to diversify are examples of strategic decisions.

Strategic decision making occurs in all types and sizes of organizations, from General Motors to a small hardware store. Many people's lives and jobs are affected by strategic decisions, so the stakes are very high. An organization's very survival is often at stake. The overall importance of strategic decisions makes this course especially exciting and challenging. You will be called upon in business policy to demonstrate how your strategic decisions could be successfully implemented.

In this course, you can look forward to making strategic decisions both as an individual and as a member of a team. No matter how hard employees work, an organization is in real trouble if strategic decisions are not made effectively. Doing the right things (effectiveness) is more important than doing things right (efficiency). For example, Lucent Technologies was prosperous during the 1990's but ineffective strategies in the years 2000-2002 led to massive losses, the ouster of chief executive Richard McGinn, an SEC investigation, a debt-rating one notch above junk, and a battle to raise turnaround capital (Neil Weinberg, "Reconnecting," *Forbes*, April 2, 2001, p. 144. The number of bankruptcies increased 30 percent in 2001, including such well know companies as AMF Bowling, Polaroid cameras, Converse sneakers, Schwinn bicycles, Vlasic pickles, Coleman camping supplies, Chiquita bananas, Sunbeam appliances, Enron, and Burlington Industries. The Houston-based energy firm Enron is the largest U.S. company ever to file for Chapter 11 bankruptcy.

You will have the opportunity in this course to make actual strategic decisions, perhaps for the first time in your academic career. Do not hesitate to take a stand and

defend specific strategies that you determine to be the best. The rationale for your strategic decisions will be more important than any actual decision, because no one knows for sure what the best strategy is for a particular organization at a given point in time. This fact accents the subjective, contingency nature of the strategic-management process.

Use the concepts and tools presented in this text, coupled with your own intuition, to recommend strategies that you can defend as being most appropriate for the organizations that you study. You will also need to integrate knowledge acquired in previous business courses. For this reason, business policy is often called a capstone course; you may want to keep this book for your personal library.

This text is practitioner-oriented and applications-oriented. It presents strategic-management concepts that will enable you to formulate, implement, and evaluate strategies in all kinds of profit and nonprofit organizations. The end-of-chapter Experiential Exercises allow you to apply what you've read in each chapter to the American Cohesion Case and to your own university.

Be sure to visit the Strategic Management Club Online website at [www.strategyclub.com](http://www.strategyclub.com). The templates and links there will save you time in performing analyses and will make your work look professional. Work hard in policy this semester and have fun. Good luck!



## ACKNOWLEDGMENTS

Many persons have contributed time, energy, ideas, and suggestions for improving this text over nine editions. The strength of this text is largely attributed to the collective wisdom, work, and experiences of business policy professors, strategic-management researchers, students, and practitioners. Names of particular individuals whose published research is referenced in the nine edition of this text are listed alphabetically in the Name Index. To all individuals involved in making this text so popular and successful, I am indebted and thankful.

Many special persons and reviewers contributed valuable material and suggestions for this edition. I would like to thank my colleagues and friends at Auburn University, Mississippi State University, East Carolina University, and Francis Marion University. These are universities where I have served on the management faculty. Scores of students and professors at these schools shaped the development of this text. I would like to thank the following reviewers who contributed valuable suggestions for this and earlier editions of this text:

Anthony F. Chelte, Western New England  
College

Leyland M. Lucas, Rutgers University

Joshua D. Martin, Temple University

Bob D. Cutler, Cleveland State University

Cathleen Folker, University of Nebraska-  
Lincoln

Jeffrey J. Bailey, University of Idaho

David Dawley, Florida State University

J. Michael Geringer, California State University

Individuals who develop cases for the North American Case Research Association Meeting, the Midwest Society for Case Research Meeting, the Eastern Casewriters Association Meeting, the European Case Research Association Meeting, and Harvard Case Services are vitally important for continued progress in the field of strategic management. From a research perspective, writing business policy cases represents a valuable scholarly activity among faculty. Extensive research is required to structure business policy cases in a way that exposes strategic issues, decisions, and behavior. Pedagogically, business policy cases are essential for students in learning how to apply concepts, evaluate situations, formulate strategies, and resolve implementation problems. Without a continuous stream of updated business policy cases, the strategic-management course and discipline would lose much of their energy and excitement.

The following individuals wrote cases that were selected for inclusion with this text. These persons helped develop the most current compilation of cases ever assembled with a business policy text:

M. Jill Austin, Middle Tennessee State University	John Marcis, Coastal Carolina University
Robert Barrett, Francis Marion University	Bill Middlebrook, SW Texas State University
Alen Badal, The Union Institute	Paul Reed, Sam Houston State University
Maria Cruz-Batista, Francis Marion University	John Ross, III Southwest Texas State University
Henry Beam, Western Michigan University	Carlisle Sampson, Francis Marion University
Eugene Bland, Francis Marion University	Amit Shah, Frostburg State University
Jim Camerius, Northern Michigan University	Robert Shane, Francis Marion University
Forest David, Mississippi State University	Matthew Sonfield, Hofstra University
Satish Deshpande, Western Michigan University	David Stanton, University of South Carolina
Mary Dittman, Francis Marion University	Charles Sterrett, Frostburg State University
Ronald Earl, Sam Houston State University	Carolyn Stokes, Francis Marion University
Sandy Durant, Francis Marion University	Stephanie Wilhelm, Francis Marion University
Will Eskridge, Francis Marion University	Brian Kinard, Francis Marion University
Caroline Fisher, Loyola University, New Orleans	Brian Williamson, Francis Marion University
Jason Gooch, Sam Houston State University	Anthony Williams, Sam Houston State University
Margie Goodson, Francis Marion University	Valeric Muehsam, Sam Houston State University
Christie Haney, Sam Houston State University	Donald Bumpass, Sam Houston State University
James Harbin, East Texas State University	Todd Ellison, Francis Marion University
Lenessa Hawkins, Francis Marion University	Nicole Seminario, Francis Marion University
Marilyn Helms, Dalton State College	John Urbanski, Francis Marion University
Gerald Kohers, Sam Houston State University	
Kay Lawrimore, Francis Marion University	

Scores of Prentice Hall employees and salespersons have worked diligently behind the scenes to make this text a leader in the business policy market. I appreciate the continued hard work of all those persons.

I especially appreciate the wonderful work completed by the ninety edition ancillary authors as follows:

Bruce Barringer, <i>Instructor's Manual</i> University of Central Florida	Frostburg, State University
Forest David, <i>Case Instructor's Manual</i> Mississippi State University	Tony Chelte, <i>PowerPoint Electronic and Overhead Color Transparencies</i> Western New England College
Amit Shah, <i>Test Item File and Companion Web Site Content</i>	Forest David, <i>Case PowerPoints</i> Mississippi State University

I also want to thank you, the reader, for investing the time and effort it took you to read and study this text. As we have entered the new millennium, this book will help you formulate, implement, and evaluate strategies for organizations with which you become associated. I hope you come to share my enthusiasm for the rich subject area of strategic management and for the systematic learning approach taken in this text.

Finally, I want to welcome and invite your suggestions, ideas, thoughts, and comments and questions regarding any part of this text or the ancillary materials. Please call me at 843-669-6960, fax me at 843-661-1432, e-mail me at Fdavid@Fmarion.edu, or write me at the School of Business, Francis Marion University, Florence, South Carolina 29501. I sincerely appreciate and need your input to continually improve this text in future editions. Drawing my attention to specific errors or deficiencies in coverage or exposition will especially be appreciated.

Thank you for using this text.

*Fred R. David*

FRED DAVID'S STRATEGIC MANAGEMENT, 9TH ED., CASE COMPANIES

	STOCK SYMBOL	STOCK EXCHANGE	TELEPHONE NUMBER	HEADQUARTERS ADDRESS	WEB PAGE ADDRESS
<b>COHESION CASE</b>					
American Airlines	AMR	NY	817-963-1234	4333 Amon Carter Blvd Fort Worth, TX 76155	www.amrcorp.com
<b>9TH EDITION SERVICE COMPANY CASES</b>					
<b>AIRLINES</b>					
1. Southwest Airlines	LUV	NY	214-792-4908	2702 Love Field Dallas, TX 75235	www.iflyswa.com www.southwest.com
2. US Airways	U	NY	703-872-5009	2345 Crystal Drive Arlington, VA 22227	www.usairways.com
<b>INTERNET COMPANIES</b>					
3. E-Trade	ET	NY	650-331-6000 888-772-3477	4500 Bohannon Dr. Menlo Park, CA 94025	www.etrade.com
4. E-Bay	EBAY	NASD	408-558-7400	2005 Hamilton Ave. San Jose, CA 95125	www.ebay.com
5. Amazon	AMZN	NASD	206-622-2335	1516 2nd Avenue Seattle, WA 98101	www.amazon.com
<b>RETAILERS</b>					
6. The Limited, Inc.	LTD	NY	614-415-7000	3 Limited Parkway Columbus, Ohio 43216	www.limited.com
7. Wal-Mart Stores, Inc.	WMT	NY	501-273-4000 501-277-6921	702 SW Eighth St. Bentonville, Arkansas 72716-8611	www.wal-mart.com
8. Target Corporation	DH	NY	612-370-6948	777 Nicollet Mall Minneapolis, Minnesota 55402-2055	www.Target.com
9. Best Buy Company	BBY	NY	952-947-2422	Eden Prairie, Minnesota	www.bestbuy.com
<b>HOTEL AND GAMING</b>					
10. Mandalay Resort Group	MBG	NY	702-734-0410 702-632-7777	3950 Las Vegas Blv Las Vegas, NV 89119	www.mandalayresortgroup.com
11. Harrah's Entertainment	HET	NY	901-762-8600 702-407-6000	1023 Cherry Road Memphis, TN 38117	www.harrahs.com
<b>BANKS</b>					
12. Wachovia	FTU	NY	704-374-6565	1 First Union Center Charlotte, NC 28288-0570	www.firstunion.com
13. First State Bank Of Roans Prairie	N/A	N/A	936-395-2141	Roans Prairie, TX	NA
<b>ZOOS</b>					
14. Audubon Nature Institute	N/A	N/A	504-861-2537	6500 Magazine Street New Orleans, LA 70118	www.auduboninstitute.org
15. Riverbanks Zoo	N/A	N/A	803-779-8717	Riverbanks Society PO Box 1060 Columbia, SC 29202	www.riverbanks.org

Continued

	STOCK SYMBOL	STOCK EXCHANGE	TELEPHONE NUMBER	HEADQUARTERS ADDRESS	WEB PAGE ADDRESS
<b>CRUISE LINES</b>					
16. Carnival Corp.	CCL	NY	800-438-6744 305-599-2600	3655 N.W. 87th Ave. Miami, FL 33178	<a href="http://www.carnivalcorp.com">www.carnivalcorp.com</a>
17. Royal Caribbean	RCL	NY	305-539-6000	1050 Caribbean Way Miami, FL 33132	<a href="http://www.royalcaribbean.com">www.royalcaribbean.com</a>
<b>CHURCHES</b>					
18. Central United Methodist Church	NA	NA	843-662-3218	225 W. Street Cheves St. Florence, SC 29501	<a href="http://www.centralumcsc.web.com">www.centralumcsc.web.com</a>
19. Elkins Lake Baptist Church	NA	NA	409-295-7694	Huntsville, Texas 77340	<a href="http://www.elbc.org">www.elbc.org</a>
<b>GROCERY CHAIN</b>					
20. Winn-Dixie	WIN	NY	904-783-5000	PO Box B Jacksonville, FL 32203	<a href="http://www.winndixie.com">www.winndixie.com</a>
<b>MOM AND POP BUSINESS</b>					
21. Strictly Roots Natural Hair Salon	NA	NA	713-529-5017	Houston, Texas	<a href="http://www.strictly-roots.com">www.strictly-roots.com</a>
<b>NONPROFIT ORGANIZATION</b>					
22. Classic Car Club of America	N/A	N/A	847-390-0443	1645 Des Plaines River Rd. Suite 7 Des Plaines, IL 60018	<a href="http://www.classiccarclub.org/">www.classiccarclub.org/</a>
<b>9TH EDITION MANUFACTURING COMPANY CASES</b>					
<b>TRANSPORTATION</b>					
23. Harley-Davidson	HDI	NY	414-342-4680	3700 W. Juneau Ave. Milwaukee, WI 53208	<a href="http://www.harley-davidson.com">www.harley-davidson.com</a>
24. Winnebago Industries	WGO	NY	641-585-3535	605 W. Crystal Lake Rd. Forest City, Iowa 50436	<a href="http://www.winnebagoind.com">www.winnebagoind.com</a>
<b>COSMETICS</b>					
25. Avon Products Inc.	AVP	NY	212-282-5000	Avenue of the Americas New York, NY 10105-0196	<a href="http://www.avon.com">www.avon.com</a>
26. Revlon Inc.	REV	NY	212-527-4000	625 Madison Ave. New York, NY 10022	<a href="http://www.revlon.com">www.revlon.com</a>
<b>FOOD</b>					
27. Pilgrim's Pride Corp.	CHX	NY	903-855-1000	110 South Texas St. Pittsburg, Texas 75686	<a href="http://www.pilgrimspride.com">www.pilgrimspride.com</a>
28. H.J. Heinz Co.	HNZ	NY	412-456-5700	600 Grant Street Pittsburg, PA 15219	<a href="http://www.heinz.com">www.heinz.com</a>
29. Hershey Foods	HSY	NY	717-534-6799	100 Crystal Drive Hershey, PA 17033	<a href="http://www.hersheys.com">www.hersheys.com</a>

*Continued*

FRED DAVID'S STRATEGIC MANAGEMENT, 9TH ED., CASE COMPANIES  
 (Continued)

	STOCK SYMBOL	STOCK EXCHANGE	TELEPHONE NUMBER	HEADQUARTERS ADDRESS	WEB PAGE ADDRESS
<b>AEROSPACE</b>					
30. Boeing	BA	NY	206-655-2121	7755 E. Marginal Way S. Seattle, WA 98108	<a href="http://www.boeing.com">www.boeing.com</a>
31. Lockheed Martin	LMT	NY	800-934-3566 301-897-6000	6801 Rockledge Drive Bethesda, MD 20817	<a href="http://www.lockheedmartin.com">www.lockheedmartin.com</a>
<b>COMPUTERS</b>					
32. Dell Computer	DELL	NASD	512-338-4400	1 Dell Way Round Rock, TX 78682	<a href="http://www.dell.com">www.dell.com</a>
33. Hewlett-Packard	HPQ	NY	650-857-1501	3000 Hanover Street Palo Alto, CA 94304	<a href="http://www.hewlett-packrd.com">www.hewlett-packrd.com</a>
<b>MEDICAL</b>					
34. Stryker Corp.	SYK	NY	616-385-2600	2775 Fairfield Rd. Kalamazoo, MI 49002	<a href="http://www.strykercorp.com">www.strykercorp.com</a>
35. Biomet Inc.	BMET	NASD	219-267-6639	Airport Industrial Pk. Warsaw, Indiana 46581	<a href="http://www.biomet.com">www.biomet.com</a>
<b>MAGAZINES</b>					
36. Playboy Enterprises	PLA	NY	312-751-8000	680 N. Lake Shore Dr. Chicago, IL 60611	<a href="http://www.playboy.com">www.playboy.com</a>
37. Reader's Digest Association	RDA	NY	914-238-1000	Reader's Digest Road Pleasantville, NY 10570-7000	<a href="http://www.readersdigest.com">www.readersdigest.com</a>
<b>FOOTWEAR</b>					
38. Nike Inc.	NKE	NY	503-671-6453 800-640-8007	1 Bowerman Dr. Beaverton, OR 97005	<a href="http://www.nike.com">www.nike.com</a>
39. Reebok	RBK	NY	781-401-5000	100 Technology Center Dr. Stroughton, MA 02072	<a href="http://www.reebok.com">www.reebok.com</a>
<b>TOBACCO</b>					
40. UST Inc.	UST	NY	203-661-1100	100 W. Putnam Ave. Greenwich, CT 06830	<a href="http://www.ustshareholder.com">www.ustshareholder.com</a>
<b>BREWERY</b>					
41. Coors	RKY	NY	800-642-6116	310 North 10th St. Golden, CO 80401	<a href="http://www.coors.com">www.coors.com</a>



---

# *INTRODUCTION*

## HOW TO ANALYZE A BUSINESS POLICY CASE



### OUTLINE

- What Is a Business Policy Case?
- Guidelines for Preparing Case Analyses
- Preparing a Case for Class Discussion
- Preparing a Written Case Analysis
- Making an Oral Presentation
- Fifty Tips for Success in Case Analysis

## OBJECTIVES

*After studying this chapter, you should be able to do the following:*

1. Describe the case method for learning strategic-management concepts.
2. Identify the steps in preparing a comprehensive written case analysis.
3. Describe how to give an effective oral case analysis presentation.
4. Discuss fifty tips for doing case analysis.



# NOTABLE QUOTES

The essential fact that makes the case method an educational experience of the greatest power is that it makes the student an active rather than a passive participant.

WALLACE B. DONHAM

Two heads are better than one.

UNKNOWN AUTHOR

Good writers do not turn in their first drafts. Ask someone else to read your written case analysis, and read it out loud to yourself. That way, you can find rough areas to clear up.

LAWRENCE JAUCH

One reaction frequently heard is, "I don't have enough information." In reality, strategists never have enough information because some information is not available and some is too costly.

WILLIAM GLUECK

I keep six honest serving men. They taught me all I know. Their names are What, Why, When, How, Where, and Who.

RUDYARD KIPLING

Don't recommend anything you would not be prepared to do yourself if you were in the decision maker's shoes.

A.J. STRICKLAND III

A picture is worth a thousand words.

UNKNOWN AUTHOR

The purpose of this section is to help you analyze business policy cases. Guidelines for preparing written and oral case analyses are given, and suggestions for preparing cases for class discussion are presented. Steps to follow in preparing case analyses are provided. Guidelines for making an oral presentation are described.



## WHAT IS A BUSINESS POLICY CASE?

A *business policy* case describes an organization's external and internal condition and raises issues concerning the firm's mission, strategies, objectives, and policies. Most of the information in a business policy case is established fact, but some information may be opinions, judgments, and beliefs. Business policy cases are more comprehensive than those you may have studied in other courses. They generally include a description of related management, marketing, finance/accounting, production/operations, R&D, computer information systems, and natural environment issues. A business policy case puts the reader on the scene of the action by describing a firm's situation at some point in time. Business policy cases are written to give you practice applying strategic-management concepts. The case method for studying strategic management is often called *learning by doing*.



## GUIDELINES FOR PREPARING CASE ANALYSES

### The Need for Practicality

There is no such thing as a complete case, and no case ever gives you all the information you need to conduct analyses and make recommendations. Likewise, in the business world, strategists never have all the information they need to make decisions: information may be unavailable or too costly to obtain, or it may take too much time to obtain. So in preparing business policy cases, do what strategists do every day—make reasonable assumptions about unknowns, state assumptions clearly, perform appropriate analyses, and make decisions. *Be practical*. For example, in performing a pro form a financial analysis, make reasonable assumptions, state them appropriately, and proceed to show what impact your recommendations are expected to have on the organization's financial position. Avoid saying, "I don't have enough information." You can always supplement the information provided in a case with Internet and library research.

### The Need for Justification

The most important part of analyzing cases is not what strategies you recommend, but rather how you support your decisions and how you propose that they be implemented. There is no single best solution or one right answer to a case, so give ample justification for your recommendations. This is important. In the business world, strategists usually do not know if their decisions are right until resources have been allocated and consumed. Then it is often too late to reverse a decision. This cold fact accents the need for careful integration of intuition and analysis in preparing business policy case analyses.

### The Need for Realism

Avoid recommending a course of action beyond an organization's means. *Be realistic*. No organization can possibly pursue all the strategies that could potentially benefit the firm. Estimate how much capital will be required to implement what you recommended.

Determine whether debt, stock, or a combination of debt and stock could be used to obtain the capital. Make sure your recommendations are feasible. Do not prepare a case analysis that omits all arguments and information not supportive of your recommendations. Rather, present the major advantages and disadvantages of several feasible alternatives. Try not to exaggerate, stereotype, prejudice, or overdramatize. Strive to demonstrate that your interpretation of the evidence is reasonable and objective.

### The Need for Specificity

Do not make broad generalizations such as “The company should pursue a market penetration strategy.” *Be specific* by telling *what, why, when, how, where, and who*. Failure to use specifics is the single major shortcoming of most oral and written case analyses. For example, in an internal audit say, “The firm’s current ratio fell from 2.2 in 2002 to 1.3 in 2003, and this is considered to be a major weakness,” instead of, “The firm’s financial condition is bad.” Rather than concluding from a Strategic Position and Action Evaluation (SPACE) Matrix that a firm should be defensive, be more specific, saying, “The firm should consider closing three plants, laying off 280 employees, and divesting itself of its chemical division, for a net savings of \$20.2 million in 2003.” Use ratios, percentages, numbers, and dollar estimates. Businesspeople dislike generalities and vagueness.

### The Need for Originality

Do not necessarily recommend the course of action that the firm plans to take or actually undertook, even if those actions resulted in improved revenues and earnings. The aim of case analysis is for you to consider all the facts and information relevant to the organization at the time, to generate feasible alternative strategies, to choose among those alternatives, and to defend your recommendations. Put yourself back in time to the point when strategic decisions were being made by the firm’s strategists. Based on the information available then, what would you have done? Support your position with charts, graphs, ratios, analyses, and the like—not a revelation from the library. You can become a good strategist by thinking through situations, making management assessments, and proposing plans yourself. *Be original*. Compare and contrast what you recommend versus what the company plans to do or did.

### The Need to Contribute

Strategy formulation, implementation, and evaluation decisions are commonly made by a group of individuals rather than by a single person. Therefore, your professor may divide the class into three- or four-person teams and ask you to prepare written or oral case analyses. Members of a strategic-management team, in class or in the business world, differ on their aversion to risk, their concern for short-run versus long-run benefits, their attitudes toward social responsibility, and their views concerning globalization. There are no perfect people, so there are no perfect strategies. Be open-minded to others’ views. *Be a good listener and a good contributor*.



## PREPARING A CASE FOR CLASS DISCUSSION

Your professor may ask you to prepare a case for class discussion. Preparing a case for class discussion means that you need to read the case before class, make notes regarding the organization’s external opportunities/threats and internal strengths/weaknesses, perform appropriate analyses, and come to class prepared to offer and defend some specific recommendations.

## The Case Method Versus Lecture Approach

The case method of teaching is radically different from the traditional lecture approach, in which little or no preparation is needed by students before class. The *case method* involves a classroom situation in which students do most of the talking; your professor facilitates discussion by asking questions and encouraging student interaction regarding ideas, analyses, and recommendations. Be prepared for a discussion along the lines of “What would you do, why would you do it, when would you do it, and how would you do it?” Prepare answers to the following types of questions:

- What are the firm’s most important external opportunities and threats?
- What are the organization’s major strengths and weaknesses?
- How would you describe the organization’s financial condition?
- What are the firm’s existing strategies and objectives?
- Who are the firm’s competitors, and what are their strategies?
- What objectives and strategies do you recommend for this organization? Explain your reasoning. How does what you recommend compare to what the company plans?
- How could the organization best implement what you recommend? What implementation problems do you envision? How could the firm avoid or solve those problems?

## The Cross-Examination

Do not hesitate to take a stand on the issues and to support your position with objective analyses and outside research. Strive to apply strategic-management concepts and tools in preparing your case for class discussion. Seek defensible arguments and positions. Support opinions and judgments with facts, reasons, and evidence. Crunch the numbers before class! Be willing to describe your recommendations to the class without fear of disapproval. Respect the ideas of others, but be willing to go against the majority opinion when you can justify a better position.

Business policy case analysis gives you the opportunity to learn more about yourself, your colleagues, strategic management, and the decision-making process in organizations. The rewards of this experience will depend upon the effort you put forth, so do a good job. Discussing business policy cases in class is exciting and challenging. Expect views counter to those you present. Different students will place emphasis on different aspects of an organization’s situation and submit different recommendations for scrutiny and rebuttal. Cross-examination discussions commonly arise, just as they occur in a real business organization. Avoid being a silent observer.



## PREPARING A WRITTEN CASE ANALYSIS

In addition to asking you to prepare a case for class discussion, your professor may ask you to prepare a written case analysis. Preparing a written case analysis is similar to preparing a case for class discussion, except written reports are generally more structured and more detailed. There is no ironclad procedure for preparing a written case analysis because cases differ in focus; the type, size, and complexity of the organizations being analyzed also vary.

When writing a strategic-management report or case analysis, avoid using jargon, vague or redundant words, acronyms, abbreviations, sexist language, and ethnic or racial slurs, and watch your spelling. Use short sentences and paragraphs and simple words and

phrases. Use quite a few subheadings. Arrange issues and ideas from the most important to the least important. Arrange recommendations from the least controversial to the most controversial. Use the active voice rather than the passive voice for all verbs; for example, say, “Our team recommends that the company diversify,” rather than, “It is recommended by our team to diversify.” Use many examples to add specificity and clarity. Tables, figures, pie charts, bar charts, time lines, and other kinds of exhibits help communicate important points and ideas. Sometimes a picture *is* worth a thousand words.

## The Executive Summary

Your professor may ask you to focus the written case analysis on a particular aspect of the strategic-management process, such as (1) to identify and evaluate the organization’s existing mission, objectives, and strategies; or (2) to propose and defend specific recommendations for the company; or (3) to develop an industry analysis by describing the competitors, products, selling techniques, and market conditions in a given industry. These types of written reports are sometimes called *executive summaries*. An executive summary usually ranges from three to five pages of text in length, plus exhibits.

## The Comprehensive Written Analysis

Your professor may ask you to prepare a *comprehensive written analysis*. This assignment requires you to apply the entire strategic-management process to the particular organization. When preparing a comprehensive written analysis, picture yourself as a consultant who has been asked by a company to conduct a study of its external and internal environment and to make specific recommendations for its future. Prepare exhibits to support your recommendations. Highlight exhibits with some discussion in the paper. Comprehensive written analyses are usually about ten pages in length, plus exhibits.

## Steps in Preparing a Comprehensive Written Analysis

In preparing a comprehensive written analysis, you could follow the steps outlined here, which correlate to the stages in the strategic-management process and the chapters in this text.

- Step 1* Identify the firm’s existing vision, mission, objectives, and strategies.
- Step 2* Develop vision and mission statements for the organization.
- Step 3* Identify the organization’s external opportunities and threats.
- Step 4* Construct a Competitive Profile Matrix (CPM).
- Step 5* Construct an External Factor Evaluation (EFE) Matrix.
- Step 6* Identify the organization’s internal strengths and weaknesses.
- Step 7* Construct an Internal Factor Evaluation (IFE) Matrix.
- Step 8* Prepare a Threats-Opportunities-Weaknesses-Strengths (TOWS) Matrix, Strategic Position and Action Evaluation (SPACE) Matrix, Boston Consulting Group (BCG) Internal-External (IE) Matrix, Grand Strategy Matrix, and Quantitative Strategic Planning Matrix (QSPM) as appropriate. Give advantages and disadvantages of alternative strategies.
- Step 9* Recommend specific strategies and long-term objectives. Show how much your recommendations will cost. Itemize these costs clearly for each projected year. Compare your recommendations to actual strategies planned by the company.
- Step 10* Specify how your recommendations can be implemented and what results you can expect. Prepare forecasted ratios and pro forma financial statements. Present a timetable or agenda for action.

*Step 11* Recommend specific annual objectives and policies.

*Step 12* Recommend procedures for strategy review and evaluation.



## MAKING AN ORAL PRESENTATION

Your professor may ask you to prepare a business policy case analysis, individually or as a group, and present your analysis to the class. Oral presentations are usually graded on two parts: content and delivery. *Content* refers to the quality, quantity, correctness, and appropriateness of analyses presented, including such dimensions as logical flow through the presentation, coverage of major issues, use of specifics, avoidance of generalities, absence of mistakes, and feasibility of recommendations. *Delivery* includes such dimensions as audience attentiveness, clarity of visual aids, appropriate dress, persuasiveness of arguments, tone of voice, eye contact, and posture. Great ideas are of no value unless others can be convinced of their merit through clear communication. The guidelines presented here can help you make an effective oral presentation.

### Organizing the Presentation

Begin your presentation by introducing yourself and giving a clear outline of topics to be covered. If a team is presenting, specify the sequence of speakers and the areas each person will address. At the beginning of an oral presentation, try to capture your audience's interest and attention. You could do this by displaying some products made by the company, telling an interesting short story about the company, or sharing an experience you had that is related to the company, its products, or its services. You could develop or obtain a video to show at the beginning of class; you could visit a local distributor of the firm's products and tape a personal interview with the business owner or manager. A light or humorous introduction can be effective at the beginning of a presentation.

Be sure the setting of your presentation is well organized, with chairs, flip charts, a transparency projector, and whatever else you plan to use. Arrive at least fifteen minutes early at the classroom to organize the setting, and be sure your materials are ready to go. Make sure everyone can see your visual aids well.

### Controlling Your Voice

An effective rate of speaking ranges from 100 to 125 words per minute. Practice your presentation out loud to determine if you are going too fast. Individuals commonly speak too fast when nervous. Breathe deeply before and during the presentation to help yourself slow down. Have a cup of water available; pausing to take a drink will wet your throat, give you time to collect your thoughts, control your nervousness, slow you down, and signal to the audience a change in topic.

Avoid a monotone by placing emphasis on different words or sentences. Speak loudly and clearly, but don't shout. Silence can be used effectively to break a monotone voice. Stop at the end of each sentence, rather than running sentences together with *and* or *ub*.

### Managing Body Language

Be sure not to fold your arms, lean on the podium, put your hands in your pockets, or put your hands behind you. Keep a straight posture, with one foot slightly in front of the other. Do not turn your back to the audience; doing so is not only rude, but it also prevents your voice from projecting well. Avoid using too many hand gestures. On occasion,

leave the podium or table and walk toward your audience, but do not walk around too much. Never block the audience's view of your visual aids.

Maintain good eye contact throughout the presentation. This is the best way to persuade your audience. There is nothing more reassuring to a speaker than to see members of the audience nod in agreement or smile. Try to look everyone in the eye at least once during your presentation, but focus more on individuals who look interested than on those who seem bored. Use humor and smiles as appropriate throughout your presentation to stay in touch with your audience. A presentation should never be dull!

### Speaking from Notes

Be sure not to read to your audience, because reading puts people to sleep. Perhaps worse than reading is memorizing. Do not try to memorize anything. Rather, practice using notes unobtrusively. Make sure your notes are written clearly so you will not flounder when trying to read your own writing. Include only main ideas on your note cards. Keep note cards on a podium or table if possible so that you won't drop them or get them out of order; walking with note cards tends to be distracting.

### Constructing Visual Aids

Make sure your visual aids are legible to individuals in the back of the room. Use color to highlight special items. Avoid putting complete sentences on visual aids; rather, use short phrases and then elaborate on issues orally as you make your presentation. Generally, there should be no more than four to six lines of text on each visual aid. Use clear headings and subheadings. Be careful about spelling and grammar; use a consistent style of lettering. Use masking tape or an easel for posters—do not hold posters in your hand. Transparencies and handouts are excellent aids; however, be careful not to use too many handouts or your audience may concentrate on them instead of your during the presentation.

### Answering Questions

It is best to field questions at the end of your presentation, rather than during the presentation itself. Encourage questions, and take your time to respond to each one. Answering questions can be persuasive because it involves you with the audience. If a team is giving the presentation, the audience should direct questions to a specific person. During the question-and-answer period, be polite, confident, and courteous. Avoid verbose responses. Do not get defensive with your answers, even if a hostile or confrontational question is asked. Staying calm during potentially disruptive situations, such as a cross-examination, reflects self-confidence, maturity, poise, and command of the particular company and its industry. Stand up throughout the question-and-answer period.



## FIFTY TIPS FOR SUCCESS IN CASE ANALYSIS

Business policy students who have used this text over eight editions offer you the following fifty tips for success in doing case analysis:

1. View your case analysis and presentation as a product that must have some competitive factor to differentiate it favorably from the case analyses of other students.
2. Prepare your case analysis far enough in advance of the due date to allow time for reflection and practice. Do not procrastinate.

3. Develop a mind-set of why, continually questioning your own and others' assumptions and assertions.
4. The best ideas are lost if not communicated to the reader, so as ideas develop, think of their most appropriate presentation.
5. Maintain a positive attitude about the class, working *with* problems rather than against them.
6. Keep in tune with your professor, and understand his or her values and expectations.
7. Since business policy is a capstone course, seek the help of professors in other specialty areas when necessary.
8. Other students will have strengths in functional areas that will complement your weaknesses, so develop a cooperative spirit that moderates competitiveness in group work.
9. Read your case frequently as work progresses so you don't overlook details.
10. When preparing a case analysis as a group, divide into separate teams to work on the external analysis and internal analysis. Each team should write its section as if it were to go into the paper; then give each group member a copy.
11. At the end of each group session, assign each member of the group a task to be completed for the next meeting.
12. Have a good sense of humor.
13. Capitalize on the strengths of each member of the group; volunteer your services in your areas of strength.
14. Set goals for yourself and your team; budget your time to attain them.
15. Become friends with the library.
16. Foster attitudes that encourage group participation and interaction. Do not be hasty to judge group members.
17. Be creative and innovative throughout the case analysis process.
18. Be prepared to work. There will be times when you will have to do more than your share. Accept it, and do what you have to do to move the team forward.
19. Think of your case analysis as if it were really happening; do not reduce case analysis to a mechanical process.
20. To uncover flaws in your analysis and to prepare the group for questions during an oral presentation, assign one person in the group to actively play the devil's advocate.
21. Do not schedule excessively long group meetings; two-hour sessions are about right.
22. A goal of case analysis is to improve your ability to think clearly in ambiguous and confusing situations; do not get frustrated that there is no single best answer.
23. Push your ideas hard enough to get them listened to, but then let up; listen to others and try to follow their lines of thinking; follow the flow of group discussion, recognizing when you need to get back on track; do not repeat yourself or others unless clarity or progress demands repetition.
24. Do not confuse symptoms with causes; do not develop conclusions and solutions prematurely; recognize that information may be misleading, conflicting, or wrong.
25. Work hard to develop the ability to formulate reasonable, consistent, and creative plans; put yourself in the strategist's position.

26. Develop confidence in using quantitative tools for analysis. They are not inherently difficult; it is just practice and familiarity you need.
27. Develop a case-writing style that is direct, assertive, and convincing; be concise, precise, fluent, and correct.
28. Have fun when at all possible. It is frustrating at times, but enjoy it while you can; it may be several years before you are playing CEO again.
29. Acquire a professional typist and proofreader. Do not perform either task alone.
30. Strive for excellence in writing and in the technical preparation of your case. Prepare nice charts, tables, diagrams, and graphs. Use color and unique pictures. No messy exhibits!
31. In group cases, do not allow personality differences to interfere. When they occur, they must be understood for what they are—and then put aside.
32. Do not forget that the objective is to learn; explore areas with which you are not familiar.
33. Pay attention to detail.
34. Think through alternative implications fully and realistically. The consequences of decisions are not always apparent. They often affect many different aspects of a firm's operations.
35. Get things written down (drafts) as soon as possible.
36. Read everything that other group members write, and comment on it in writing. This allows group input into all aspects of case preparation.
37. Provide answers to such fundamental questions as *what, when, where, why, who,* and *how*.
38. Adaptation and flexibility are keys to success; be creative and innovative.
39. Do not merely recite ratios or present figures. Rather, develop ideas and conclusions concerning the possible trends. Show the importance of these figures to the corporation.
40. Support reasoning and judgment with factual data whenever possible.
41. Neatness is a real plus; your case analysis should look professional.
42. Your analysis should be as detailed and specific as possible.
43. A picture speaks a thousand words, and a creative picture gets you an A in many classes.
44. Let someone else read and critique your paper several days before you turn it in.
45. Emphasize the Strategy Selection and Strategy Implementation sections. A common mistake is to spend too much time on the external or internal analysis parts of your paper. Always remember that the meat of the paper or presentation is the strategy selection and implementation sections.
46. Make special efforts to get to know your group members. This leads to more openness in the group and allows for more interchange of ideas. Put in the time and effort necessary to develop these relationships.
47. Be constructively critical of your group members' work. Do not dominate group discussions. Be a good listener and contributor.
48. Learn from past mistakes and deficiencies. Improve upon weak aspects of other case presentations.
49. Learn from the positive approaches and accomplishments of classmates.
50. Use the Strategic Management Club Online at Web site [www.strategyclub.com](http://www.strategyclub.com).



## MASTERING STRATEGY

*Mastering Strategy* is the first product in the *Mastering Business* series. It offers students an interactive, multimedia experience as they follow the people and issues of Cango, Inc., a small Internet startup. The text, video, and interactive exercises provide students an opportunity to simulate the strategic planning experience to and chart the future activities for Cango.

Strategy has an impact across an entire organization, and the behaviors involved are often very subtle. Using this material really provides an opportunity to give an experiential approach to strategic concepts as applied in the business world. The videos and exercises demonstrate actual theories, practices and assumptions in daily operations. These are practical applications as faced in the real world, with real language, problems and relevant issues faced by modern companies.

Students are drawn into a living, breathing, dynamic company and immediately get a feeling for strategy in operation, rather than in retrospect. This helps students assimilate their learning in a systemic manner as they move from watching the events unfold for the company to applying their own intuition about the problems and solutions. When they are on the mark, they see the results in the company's performance. If they are off the mark, they learn what they don't know and where they need to go back for a deeper understanding.

—Helen Rothberg, Professor at the Marist College School of Management and co-author of the Strategy series



## THE MASTERING STRATEGY ENVIRONMENT

Students will learn strategy concepts within the context of Cango, Inc., a fictitious Internet company that focuses its efforts in the entertainment arena of the e-commerce world. The company began by retailing books on the Internet and has branched out to offer CDs, videos, MP3 files and customized players. Cango employs mostly recent college graduates who are enthusiastic about working with an online business and its possibilities for expansion. Currently, Cango is experiencing great growth, but little profit.



Thus, Cango employees are always on the lookout for new ventures. The company is considering hosting streaming video, e-books and e-book readers, and partnerships with other firms. One example would be a film studio so that Cango can serve the needs of independent filmmakers and tap into the growing popularity of home video hardware and software.

The company's goals are to get bigger and better, and to someday make a significant profit. In *Mastering Strategy*, the firm transforms from a small, independent company to one listed on the NASDAQ through the Initial Public Offering (IPO) process. The firm's founder and the management team must deal with all the implications of this change, both within the company and in the context of the external world of investors, the board of directors, and potential competitors.