STRATEGIC MANAGEMENT Concepts and Cases

FIFTEENTH EDITION

A COMPETITIVE ADVANTAGE APPROACH

GLOBAL EDITION

Fred R. David

Francis Marion University Florence, South Carolina

Forest R. David

Strategic Planning Consultant



Contents

Preface 15

The Global Challenge 81

Corporate Tax Rates Globally 82

Globalization 82

Acknowledgments 25	Business Culture Across Countries 87
About the Authors 27	Mexico—Business Culture 88 ■ Japan—Business Culture 89 ■ Brazil—Business Culture 90 ■ Germany—Business
Chapter 1 Strategic Management Essentials 37	Culture 90 ■ Egypt—Business Culture 91 ■ China— Business Culture 92 ■ India—Business Culture 92 ■ Nigeria—Business Culture 93
SINGAPORE MELINES: EXCELLENT STRATEGIC	Business Climate Across Countries/Continents 94
MANAGEMENT SHOWCASED 38	Union Membership Across Europe 94 ■ African Countries 95
What Is Strategic Management? 39	■ China 97 ■ Philippines 99 ■ Taiwan 99 ■ India 99 ■ Germany 100 ■ Mexico 101
Defining Strategic Management 39 ■ Stages of	Special Note to Students 102
Strategic Management 39 m Integrating Intuition and Analysis 40 m Adapting to Change 41	ASSURANCE OF LEARNING EXERCISES 104
Key Terms in Strategic Management 42	Assurance of Learning Exercise 2A: The adidas Group wants to enter
Competitive Advantage 42 ■ Strategists 43 ■ Vision	Africa. Help them. 104
and Mission Statements 44 External Opportunities and Threats 44 Internal Strengths and Weaknesses 44	Assurance of Learning Exercise 2B: Assessing Differences in Culture Across Countries 105
■ Long-Term Objectives 45 ■ Strategies 45 Annual Objectives 45 ■ Policies 46	Assurance of Learning Exercise 2C: Honda Motor Company wants to enter the Vietnamese market. Help them. 105
The Strategic-Management Model 47	Assurance of Learning Exercise 2D: Does My University Recruit in Foreign
Benefits of Strategic Management 48	Countries? 106
Financial Benefits 49 Nonfinancial Benefits 50	Chapter 3 Ethics/Social Responsibility/
Why Some Firms Do No Strategic Planning 50	Sustainability 109
Pitfalls in Strategic Planning 50	Business Ethics 110
Guidelines for Effective Strategic Management 51	NESTLÉ: EXCELLENT STRATEGIC MANAGEMENT
Comparing Business and Military Strategy 52	SHOWCASED 110
Special Note to Students 53	Code of Business Ethics 112 ■ An Ethics Culture 113
THE COHESION CASE: ADIDAS GROUP—2013 58	■ Whistle-Blowing 113 ■ Bribes 114 ■ Workplace Romance 115
ASSURANCE OF LEARNING EXERCISES 69	Social Responsibility 117
Assurance of Learning Exercise 1A: Assess Singapore Airline's Most Recent Quarterly Performance Data 69	Social Policy 118 Social Policies on Retirement 118
Assurance of Learning Exercise 1B: Gathering Strategy Information	Environmental Sustainability 119
on adidas AG 70	What Is a Sustainability Report? 120 ■ Lack of Standards
Assurance of Learning Exercise 1C: Getting Familiar with the Free Excel Student Template 70	Changing 120 ■ Managing Environmental Affairs in the Firm 121 ■ ISO 14000/14001 Certification 122
Assurance of Learning Exercise 1D: Evaluating An Oral Student Presentation 71	■ Wildlife 122 ■ Solar Power 123
Assurance of Learning Exercise 1E: Strategic Planning at Nestlé 71	Special Note to Students 124
Assurance of Learning Exercise 1F: Interviewing Local Strategists 72	ASSURANCE OF LEARNING EXERCISES 126
	Assurance of Learning Exercise 3A: Sustainability and Nestlé 126
Chapter 2 Outside-USA Strategic Planning 75 HONDA: EXCELLENT STRATEGIC MANAGEMENT	Assurance of Learning Exercise 3B: How Does My Municipality Compare To Others on Being Pollution-Safe? 127
SHOWCASED 76	Assurance of Learning Exercise 3C: Compare adidas AG versus Nike on
Multinational Organizations 79	Social Responsibility 127
Advantages and Disadvantages of International Operations 80	Assurance of Learning Exercise 3D: How Do You Rate adidas AG 's Sustainability Efforts? 127

United States versus Foreign Business Cultures 84

Assurance of Learning Exercise 3E: How Do You Rate Nestlé's

Assurance of Learning Exercise 3F: The Ethics of Spying on

Sustainability Efforts? 127

Competitors 128

Communication Differences Across Countries 87

Chapter 4 Types of Strategies 131 Long-Term Objectives 132	Importance (Benefits) of Vision and Mission Statements 174 A Resolution of Divergent Views 174
The Nature of Long-Term Objectives 132	Characteristics of a Mission Statement 176
PETROMA BLEXCIOLEDE SERATEGIC MANAGEMENT SHCAVE ACERT LUIC	A Declaration of Attitude 176 # A Customer Orientation 177 # Mission Statement Components 177
Financial versus Strategic Objectives 133 a Not Managing by Objectives 134	Writing and Evaluating Mission Statements 179 Special Note to Students 180
Types of Strategies 134	ASSURANCE OF LEARNING EXERCISES 182
Levels of Strategies 136	Assurance of Learning Exercise 5A: Examining Potential Changes Needed
Integration Strategies 137	in a Firm's Vision/Mission 182
Forward Integration 137 Ma Backward Integration 139 Mac Horizontal Integration 140	Assurance of Learning Exercise 5B: Studying an Alternative View of Mission Statement Content 183
Intensive Strategies 141	Assurance of Learning Exercise 5C: Evaluating Mission Statements 183
Market Penetration 141	Assurance of Learning Exercise 5D: Evaluating the Mission Statement of Under Armour—a Competitor of adidas AG 184
Diversification Strategies 143	Assurance of Learning Exercise 5E: Selecting the Best Vision and Mission Statements in a Given Industry 184
Related Diversification 144 a Unrelated Diversification 145	Assurance of Learning Exercise 5F: Writing an Excellent Vision and
Defensive Strategies 146	Mission Statement for Novartis AG 185
Retrenchment 146 M Divestiture 147 M Liquidation 148	
Michael Porter's Five Generic Strategies 149	Chapter 6 The Internal Audit 187
Cost Leadership Strategies (Type 1 and Type 2) 149 Differentiation Strategies (Type 3) 151 ## Focus Strategies	The Nature of an Internal Audit 188
(Type 4 and Type 5) 152 Strategies for Competing in Turbulent, High-Velocity Markets 153	VOLKSWAGEN: EXCELLENT STRAFEGIC MANAGEMENT SHOWCASED - 188
Means for Achieving Strategies 153	Key Internal Forces 189 The Process of Performing an Internal
Cooperation Among Competitors 153 & Joint Venture and	Audit 190
Partnering 154 Mr Merger/Acquisition 155 Mr Private-Equity Acquisitions 157 Mr First Mover Advantages 157 Mr Outsourcing	The Resource-Based View 191
and Reshoring 158	Integrating Strategy and Culture 192
Strategic Management in Nonprofit and Governmental	Management 194
Organizations 159 Educational Institutions 159 Medical Organizations 160	Planning 194 ■ Organizing 196 ■ Motivating 197 Staffing 197 Staffing 198 ■ Management Audit Checklist of Questions 198
 ■ Governmental Agencies and Departments 160 Strategic Management in Small Firms 161 	Marketing 198
Special Note to Students 161	Customer Analysis 199 Selling Products and Services 199 Product and Service Planning 200 Pricing 200
ASSURANCE OF LEARNING EXERCISES 164	© Distribution 201 ■ Marketing Research 201 ■ Cost/
Assurance of Learning Exercise 4A: Market Development: Petronas 164	Benefit Analysis 202 Marketing Audit Checklist of Questions 202
Assurance of Learning Exercise 4B: Alternative Strategies for	Finance and Accounting 202
Petronas 164	Finance and Accounting Functions 202 Basic Types of Financial
Assurance of Learning Exercise 4C: Private-Equity Acquisitions 164	Ratios 204
Assurance of Learning Exercise 4D: The strategies of adidas AG: 2013-2015 165	Breakeven Analysis 207
Assurance of Learning Exercise 4E: Lessons in Doing Business	Finance and Accounting Audit Checklist 209
Globally 165	Production and Operations 209 Production and Operations Audit Checklist 211
Assurance of Learning Exercise 4F: Petronas 2013-2015 165	Research and Development 211
Assurance of Learning Exercise 4G: What Strategies Are Most Risky? 166	Internal and External Research and Development 212 Research and Development Audit 213
Assurance of Learning Exercise 4H: Exploring Bankruptcy 166	Management Information Systems 213
Assurance of Learning Exercise 4I: Examining Strategy Articles 166	Management Information Systems Audit 213
Assurance of Learning Exercise 4J: Classifying Some Strategies 166	Value Chain Analysis 213
Chapter 5 Vision and Mission Analysis 169	Benchmarking 214
SAMSUNG: EXCELLENT STRATEGIC MANAGEMENT	The Internal Factor Evaluation Matrix 216
SHOWCASED 170	Special Note to Students 218
What Do We Want to Become? 171	ASSURANCE OF LEARNING EXERCISES 221
What Is Our Business? 171	Assurance of Learning Exercise 6A: Develop a Corporate IFE Matrix for
Vision versus Mission 173 ■ Vision Statement	Volkswagen Group 221
Analysis 173 ■ The Process of Developing Vision and Mission Statements 173	Assurance of Learning Exercise 6B: Should VW Deploy More Resources or Less Outside of the USA? 222

Assurance of Learning Exercise 6C: Apply Breakeven Analysis 222
Assurance of Learning Exercise 6D: Performing a Financial Ratio Analysis for adidas AG 222

Assurance of Learning Exercise 6E: Constructing an IFE Matrix for adidas AG 222

Assurance of Learning Exercise 6F: Analyzing Your College or University's Internal Strategic Situation 223

Chapter 7 The External Audit 225

The Nature of an External Audit 226

MREDIES FACILIENT STRATEGIC MANAGEMENT SHOWER TO 2.26

Key External Forces 227 ■ The Process of Performing an External Audit 228

The Industrial Organization (I/O) View 229

Economic Forces 229

Social, Cultural, Demographic, and Natural Environment Forces 231

Political, Governmental, and Legal Forces 232

Labor Unions 234

Technological Forces 236

Competitive Forces 237

Competitive Intelligence Programs 238 Market Commonality and Resource Similarity 239

Competitive Analysis: Porter's Five-Forces Model 239

Rivalry Among Competing Firms 240 Potential Entry of
New Competitors 240 Potential Development of Substitute
Products 241 Bargaining Power of Suppliers 241

Bargaining Power of Consumers 242

Sources of External Information 242

Forecasting Tools and Techniques 243

Making Assumptions 243

Industry Analysis: The External Factor Evaluation Matrix 244 The Competitive Profile Matrix 245

Special Note To Students 247

ASSURANCE OF LEARNING EXERCISES 250

Assurance of Learning Exercise 7A: Michelin and Africa: An External Assessment 250

Assurance of Learning Exercise 7B: Preparing a CPM for Michelin Based on Countries Rather than Companies 251

Assurance of Learning Exercise 7C: Develop Divisional Michelin EFE Matrices 251

Assurance of Learning Exercise 7D: Developing an EFE Matrix for adidas AG 251

Assurance of Learning Exercise 7E: The External Assessment 252
Assurance of Learning Exercise 7F: Developing a CPM for Michelin 252
Assurance of Learning Exercise 7G: Developing a CPM for adidas AG 252
Assurance of Learning Exercise 7H: Analyzing Your College or University's External Strategic Situation 253

Chapter 8 Strategy Generation and Selection 255

The Nature of Strategy Analysis and Choice 256

The Process of Generating and Selecting Strategies 256
UNILEVER: EXCELLENT STRATEGIC MANAGEMENT
SHOWCASED 256

A Comprehensive Strategy-Formulation Analytical Framework 258

The Input Stage 259

The Matching Stage 259

The SWOT Matrix 259

The Strategic Position and Action Evaluation (SPACE) Matrix 262

The Boston Consulting Group (BCG) Matrix 267

The Internal-External (IE) Matrix 270

The Grand Strategy Matrix 273

The Decision Stage 275

The Quantitative Strategic Planning Matrix (QSPM) 275

Positive Features and Limitations of the QSPM 280

Cultural Aspects of Strategy Choice 280

The Politics of Strategy Choice 280

Governance Issues 281

Special Note to Students 284

ASSURANCE OF LEARNING EXERCISES 287

Assurance of Learning Exercise 8A: Should Unilever Penetrate Southeast Asia Further? 287

Assurance of Learning Exercise 8B: Perform a SWOT Analysis for Unilever's Global Operations 288

Assurance of Learning Exercise 8C: Preparing a BCG Matrix for Unilever 288
Assurance of Learning Exercise 8D: Developing a SWOT Matrix for adidas

Assurance of Learning Exercise 8E: Developing a SPACE Matrix for adidas AG 289

Assurance of Learning Exercise 8F: Developing a BCG Matrix for adidas

Assurance of Learning Exercise 8G: Developing a QSPM for adidas AG 289

Assurance of Learning Exercise 8H: Developing a SWOT Matrix for Unilever 289

Assurance of Learning Exercise 8I: Developing a SPACE Matrix for Unilever 290

Assurance of Learning Exercise 8J: Developing a BCG Matrix for your College or University 290

Assurance of Learning Exercise 8K: Developing a QSPM for a Company that You Are Familiar With 290

Assurance of Learning Exercise 8L: Formulating Individual Strategies 291
Assurance of Learning Exercise 8M: The Mach Test 291

Chapter 9 Strategy Implementation 295 The Nature of Strategy Implementation 296

Tracture of Strategy Implementation 250

ROYAL DUTCH SHELL: EXCELLENT STRATEGIC MANAGEMENT SHOWCASED 296

Current Marketing Issues 297

New Principles of Marketing 298

Market Segmentation 299

Retention-Based Segmentation 300 ■ Does the Internet Make Market Segmentation Easier? 302

Product Positioning/Perceptual Mapping 302

Finance and Accounting Issues 304

Acquiring Capital to Implement Strategies 305 Projected Financial Statements 310 Projected Financial Statement Analysis for Whole Foods Market 312 Financial Budgets 313 Company Valuation 315 Deciding Whether to Go Public 319 Research and Development (R&D) Issues 320

Management Information Systems (MIS) Issues 322

Business Analytics 322

Special Note to Students 323

ASSURANCE OF LEARNING EXERCISES 326

Assurance of Learning Exercise 9A: Preparing an EPS/EBIT Analysis for Royal Dutch Shell plc 326

Chapter 11 Strategy Monitoring 371

BHP BILLITON: EXCELLENT STRATEGIC MANAGEMENT

The Nature of Strategy Evaluation 372

The Process of Evaluating Strategies 375

SHOWCASED 372

A Strategy-Evaluation Framework 376 Assurance of Learning Exercise 9B: Developing a Product-Positioning Reviewing Bases of Strategy 376
Measuring Organizational Map for adidas AG 327 Performance 378 ■ Taking Corrective Actions 379 Assurance of Learning Exercise 9C: Performing an EPS/EBIT Analysis for adidas AG 327 The Balanced Scorecard 381 Assurance of Learning Exercise 9D: Preparing Projected Financial Published Sources of Strategy-Evaluation Information 382 Statements for adidas AG 327 Characteristics of an Effective Evaluation System 383 Assurance of Learning Exercise 9E: Determining the Cash Value of adidas Contingency Planning 384 Auditing 385 Assurance of Learning Exercise 9F: Developing a Product-Positioning Map 21st-Century Challenges in Strategic Management 386 for My College 328 Assurance of Learning Exercise 9G: Do Banks Require Projected Financial The Art or Science Issue 386 The Visible or Hidden Issue 386 Statements? 328 ■ The Top-Down or Bottom-Up Approach 387 Special Note to Students 387 Chapter 10 Strategy Execution 331 ASSURANCE OF LEARNING EXERCISES 390 The Nature of Strategy Implementation 332 Assurance of Learning Exercise 11A: Evaluating BHP Billiton's ACCENTURE: EXCELLENT STRATECTC MANAGEMENT Strategies 390 SHOWCASED 332 Assurance of Learning Exercise 11B: Preparing a Strategy-Evaluation Report for adidas AG 390 Management Perspectives 334 Assurance of Learning Exercise 11C: Preparing a Strategy-Evaluation Report for Annual Objectives 335 adidas AG 390 Policies 337 Assurance of Learning Exercise 11D: Evaluate My University's Strategies 390 Resource Allocation 339 Appendix 1 Guidelines for Case Analysis 393 Managing Conflict 339 What Is a Strategic-Management Case? 394 Matching Structure with Strategy 340 The Functional Structure 341 The Divisional Structure 342 Guidelines for Preparing Case Analyses 394 ■ The Strategic Business Unit (SBU) Structure 345 ★ The Matrix The Need for Practicality 394
The Need for Justification 394 Structure 346 Some Do's and Don'ts in Developing The Need for Realism 394 The Need for Specificity 394 Organizational Charts 348 ■ The Need for Originality 395
■ The Need to Contribute 395 Restructuring 350 Preparing a Case for Class Discussion 395 Restructuring 350 The Case Method versus Lecture Approach 395 Linking Performance and Pay to Strategies 351 The Cross-Examination 396 Managing Resistance to Change 353 Preparing a Written Case Analysis 396 Creating a Strategy-Supportive Culture 354 The Executive Summary 396 The Comprehensive Written **Production and Operations Concerns When Implementing** Analysis 396 **Steps in Preparing a Comprehensive Written** Analysis 397 Strategies 355 Making an Oral Presentation 397 **Human Resource Concerns When Implementing** Strategies 356 Organizing the Presentation 397
Controlling Your Voice 398 Managing Body Language 398 ■ Speaking from Notes 398 Employee Stock Ownership Plans (ESOPs) 358
Balancing ■ Constructing Visual Aids 398 ■ Answering Questions 398 Work Life and Home Life 359 Benefits of a Diverse Workforce 361 ■ Corporate Wellness Programs 361 Tips for Success in Case Analysis 399 Content Tips 399 Process Tips 400 Sample Case Analysis Special Note to Students 363 Outline 400 ASSURANCE OF LEARNING EXERCISES 366 STEPS IN PRESENTING AN ORAL CASE ANALYSIS 401 Assurance of Learning Exercise 10A: Developing an Organizational Chart for Accenture plc 366 Oral Presentation—Step 1: Introduction (2 minutes) 401 Assurance of Learning Exercise 10B: Assessing Accenture's Philanthrophy Oral Presentation—Step 2: Mission and Vision (4 minutes) 401 Efforts 367 Oral Presentation—Step 3: Internal Assessment (8 minutes) 401 Assurance of Learning Exercise 10C; Revising adidas AG 's Organizational 402 Oral Presentation—Step 4: External Assessment (8 minutes) Oral Presentation—Step 5: Strategy Formulation (14 minutes) 402 Assurance of Learning Exercise 10D: Exploring Objectives 367 Oral Presentation—Step 6: Strategy Implementation (8 minutes) 402 Assurance of Learning Exercise 10E: Understanding My University's Oral Presentation—Step 7: Strategy Evaluation (2 minutes) 403 Culture 368

Glossary 662

Name Index 673

Oral Presentation—Step 8: Conclusion (4 minutes)

Subject Index 677

Cases

Service Firms

- 1. Ryanair 406
- 2. The Emirates Group 418
- 3. UPS 427
- 4. Amazon 438
- 5. Netflix 450
- 6. Gap 462
- 7. Walt Disney 474
- 8. Staples Inc. 484
- 9. Office Depot Inc. 496
- 10. Domino's Pizza Inc. 505
- 11. Royal Caribbean Cruises 515
- 12. Carnival Corp. 524
- 13. JPMorgan Chase & Co. 535

Manufacturing Firms

- 14. Proctor and Gamble 546
- 15. Avon Products Inc. 556
- 16. Revlon 564
- 17. L'Oréal 575
- 18. Dr Pepper Snapple Group 583
- 19. The Coca-Cola Company 593
- 20. Starbucks 602
- 21. Pearson PLC 610
- 22. BMW 619
- 23. Apple 626
- 24. Microsoft Corp. 636
- 25. Lenovo 645
- 26. Netgear 654