

STRATEGIC MANAGEMENT

EIGHTH EDITION

C A S E S



FRED R. DAVID

EIGHTH EDITION



STRATEGIC MANAGEMENT

CASES

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

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PREFACE

The new millennium 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. An avalanche of e-commerce has changed the nature of business to its core. European companies purchased hundreds of American companies. 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 have eroded, and new ones have formed. Both the challenges and opportunities facing organizations of all sizes today are greater than ever.

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

Our mission in preparing the eighth 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. The prior Chapter 10 titled “International Strategic Management” has been replaced with every chapter now comprising 20 percent new global content. There is a new e-commerce theme permeating each chapter in this edition. Chapter 2 in the prior edition becomes Chapter 5 in this edition. New strategic-management research and practice are incorporated throughout the chapters, and hundreds of new examples abound. There is a new Cohesion Case on America Online (AOL)—2000. A wonderful selection of new cases include such companies as eBay, E*Trade, Amazon.com, Compaq Computer Corporation, First Union Corporation, and Wachovia Corporation. The time basis for all cases included in this edition is 2000, representing the most up-to-date compilation of cases ever assembled in a business policy text.

Scores of reviewers and I believe 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 five different languages—English, Chinese, Spanish, German, and

most recently 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 level. 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/davidsm. The author maintains the Strategic Management Club Online Web site at www.strategyclub.com. Membership is free to both professors and students.

Although structure of David's *Strategic Management* 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, and there are now nine chapters instead of ten. New concepts and practices in strategic management are presented in a style that is clear, focused, and relevant.

TIME-TESTED FEATURES

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

- The 2000 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.
- A special matrix provided here in preface compares all cases in the text on important criteria such as topics covered, size of firm, complexity of case, etc.

NEW TO THIS EDITION

In addition to the special time-tested trademarks described above, this edition includes some exciting new features designed to position this text as the clear leader and best choice for teaching business policy and strategic management.

Changes in the Cases

- Thirteen brand-new, year-2000 cases focusing on companies in the news appear exclusively for the first time in this text. The cases are:

E*Trade
 eBay
 Amazon.com
 First Union Corporation
 Wachovia Corporation
 Lockheed Martin Corporation
 Compaq Computer Corporation
 Dell Computer Corporation
 Research in Motion
 M. D. Anderson Biomedical Services Department
 Quorum Health Group
 Reader's Digest Association
 Reebok International

- Twenty-eight fully updated cases from the last edition are included as follows:

The Limited
 Wal-Mart Stores
 Target Corporation
 Mandalay Resort Group
 Harrah's Entertainment
 The Audubon Institute
 Riverbanks Zoological Park and Botanical Garden
 The Classic Car Club of America
 RailTex
 Greyhound Lines
 Carnival Corporation
 Southwest Airlines Co.
 Central United Methodist Church
 Elkins Lake Baptist Church
 Harley-Davidson
 Winnebago Industries
 Avon Products
 Revlon
 UST
 Pilgrim's Pride Corporation
 H. J. Heinz Company
 Hershey Foods Corporation
 The Boeing Company
 Apple Computer
 Stryker Corporation
 Biomet

Playboy Enterprises

Nike

- The new mix of forty-one cases includes a nice balance of twenty-one service companies and twenty manufacturing companies
- The new mix of cases includes four purely e-commerce cases to support the new e-commerce theme. The cases are AOL, 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.

ANCILLARY 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*. Provides lecture notes, teaching tips, answers to all end chapter Experiential Exercises and Review Questions, additional Experiential Exercises not in the text, a glossary with definitions of all end-of-chapter key terms and concepts, sample course syllabi, and a test bank of nearly fifteen hundred questions with answers.
- *Twenty Color Case Video Segments*. To accompany the Cohesion Case, a color video prepared by America Online (AOL) is available to adopters free of charge. Shown near the beginning of the course, the AOL 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.
- *PHLIP/CW—Prentice Hall Learning on the Internet Partnership (PHLIP)*. This is a content-rich, multidisciplinary business education Web site created by professors for professors and their students. PHLIP provides academic support for faculty and students using this text, offering students the Student Study Hall, Current Events, an Interactive Study Guide, and Internet Resources. Instructors can choose from text-specific resources such as the Faculty Lounge, Teaching Archive, Help with Computers, and Internet Skills.
- *The Prentice Hall Companion Web Site*. 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. For more information, contact your local sales representative.
- *Standard Web CT—Free to Adopters*. 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, this 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 to either enhance a traditional course or 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-color 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 test software to facilitate preparing and grading tests.
- *Ancillary Materials Provided to Professors Online* at www.prenhall.com/davidsm.

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, Compaq was prosperous in the mid-1990s, but ineffective strategies led to millions in losses in the late 1990s. Compaq Computer CEO Eckhard Pfeiffer lost his job for lack of an Internet vision [Del Jones, "Are Company Chiefs Paying Heed to Web?" *USA Today* (July 2, 1999), p. 5B].

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 the 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 Online Cohesion Case and to your own university.

Be sure to visit the Strategic Management Club Online Web site at 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 term and have fun. Good luck!

ACKNOWLEDGMENTS

Many persons have contributed time, energy, ideas, and suggestions for improving this text over eight 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 eighth 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 development of this text. I would like to thank the following reviewers who contributed valuable suggestions for this eighth edition text:

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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 update business policy cases, the strategic management course and discipline would lose much of its energy and excitement.

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

Claire Anderson, Old Dominion University
 M. Jill Austin, Middle Tennessee State University
 Robert Barrett, Francis Marion University
 Phillip Bartlett, Francis Marion University
 Henry Beam, Western Michigan University
 Eugene Bland, Francis Marion University
 Carol Braddock, Francis Marion University

Jim Camerius, Northern Michigan University
 Thomas Carey, Western Michigan University
 Johnnie Chamblee, Francis Marion University
 Forest David, Francis Marion University
 Satish Deshpande, Western Michigan University
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 Paul Reed, Sam Houston State University
 John Ross, Southwest Texas State University
 Amit Shah, Frostburg State University
 Frank Shipper, Arizona State University
 Matthew Sonfield, Hofstra University
 David Stanton, University of South Carolina
 Charles Sterrett, Frostburg State University
 Carolyn Stokes, Francis Marion University
 Brian Williamson, 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.

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 Forest David, *Case Instructor's Manual*
 Francis Marion University
 Amit Shah, *Test Item File and Companion Web Site Content*
 Frostburg State University
 Tony Chelte, *PowerPoint Electronic and Overhead Color Transparencies*
 Western New England College
 Forest David, *Case PowerPoints*
 Francis Marion University

I also want to thank you, the reader, for investing time and effort reading and studying 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

HOW TO LOCATE THE CASE COMPANIES

	STOCK SYMBOL	STOCK EXCHANGE	TELEPHONE NUMBER	HEADQUARTERS ADDRESS	WEB PAGE ADDRESS
1. E*Trade, Inc.	EGRP	NASD	650-331-6000	4500 Bohannon Dr. Menlo Park, CA 94025	www.etrade.com
2. eBay Inc.	EBAY	NASD	408-558-7400	2005 Hamilton Ave. San Jose, CA 95125	www.ebay.com
3. Amazon.com, Inc.	AMZN	NASD	206-622-2335	1516 2nd Ave. Seattle, WA 98101	www.amazon.com
4. The Limited, Inc.	LTD	NY	614-415-7000	3 Limited Pkwy. Columbus, OH 43216	www.limited.com
5. Wal-Mart Stores, Inc.	WMT	NY	501-273-4000	702 S.W. Eighth St. Bentonville, AR 72716-8611	www.wal-mart.com
6. Target Corporation	DH	NY	612-370-6948	777 Nicollet Mall Minneapolis, MN 55402-2055	www.dhc.com
7. Mandalay Resort Group	MBG	NY	702-734-0410	3950 Las Vegas Blvd. Las Vegas, NV 89119	www.mandalayresortgroup.com
8. Harrah's Entertainment, Inc.	HET	NY	901-762-8600	1023 Cherry Rd. Memphis, TN 38117	www.harrahs.com
9. First Union Corporation	FTU	NY	704-374-6565	1 First Union Center Charlotte, NC 28288-0570	www.firstunion.com
10. Wachovia Corporation	WB	NY	336-770-5000	100 N. Main St. Winston-Salem, NC 27105	www.wachovia.com
11. The Audubon Institute	N/A	N/A	504-861-2537	6500 Magazine St. New Orleans, LA 70118	www.auduboninstitute.org
12. The Classic Car Club of America, Inc.	N/A	N/A	847-390-0443	1645 Des Plaines River Rd. Suite 7 Des Plaines, IL 60018	www.classiccarclub.com
13. M. D. Anderson Biomedical Services Department	N/A	N/A	713-792-7170	Patient Care Facility M. D. Anderson Cancer Center Houston, TX 77030-4095	www.mdanderson.org
14. Quorum Health Group, Inc.	QHGI	NY	615-371-7979	103 Continental Pl. Brentwood, TN 37027	www.quorumhealth.com
15. Greyhound Lines, Inc.	LDW	NASD	214-849-8966	15110 N. Dallas Pkwy., #600 Dallas, TX 75248	www.greyhound.com www.laidlaw.com
16. Carnival Corporation	CCL	NY	800-438-6744 305-599-2600	3655 N.W. 87th Ave. Miami, FL 33178	www.carnivalcorp.com
17. Southwest Airlines Co.	LUV	NY	214-792-4000	2702 Love Field Dallas, TX 75235	www.iflyswa.com www.southwest.com
18. Central United Methodist Church	N/A	N/A	843-662-3218	225 W. Cheves St. Florence, SC 29501	www.centralumcsc.web.com
19. Elkins Lake Baptist Church	N/A	N/A	936-295-7694	206 Highway 19 Huntsville, TX 77340	www.elbc.org

Continued

HOW TO LOCATE THE CASE COMPANIES (Continued)

	STOCK SYMBOL	STOCK EXCHANGE	TELEPHONE NUMBER	HEADQUARTERS ADDRESS	WEB PAGE ADDRESS
20. RailTex, Inc.	RTEX	NASD	210-841-7600	4040 Broadway, #200 San Antonio, TX 78209	www.railtex.com
RailAmerica	RAIL	NASD	561-237-1437	5300 Broken Sound Blvd., N.W. Boca Raton, FL 33487	www.railamerica.com
21. Harley-Davidson, Inc.	HDI	NY	414-342-4680	3700 W. Juneau Ave. Milwaukee, WI 53208	www.harley-davidson.com
22. Winnebago Industries, Inc.	WGO	NY	515-582-3535	605 W. Crystal Lake Rd. Forest City, IA 50436	www.winnegoiind.com
23. Avon Products, Inc.	AVP	NY	212-546-6015	1345 Avenue of the Americas New York, NY 10105-0196	www.avon.com
24. Revlon, Inc.	REV	NY	212-527-4000	625 Madison Ave. New York, NY 10022	www.revlon.com
25. Pilgrim's Pride Corporation	CHX	NY	903-855-1000	110 South Texas St. Pittsburg, TX 75686	www.pilgrimspride.com
26. H. J. Heinz Company	HNZ	NY	412-456-5700	600 Grant St. Pittsburg, PA 15219	www.heinz.com
27. Hershey Foods Corporation	HSY	NY	717-534-6799	100 Crystal Dr. Hershey, PA 17033	www.hersheys.com
28. The Boeing Company	BA	NY	206-655-2121	7755 E. Marginal Way S. Seattle, WA 98108	www.boeing.com
29. Lockheed Martin Corporation	LMT	NY	800-568-9758 301-897-6000	6801 Rockledge Dr. Bethesda, MD 20817	www.lockheedmartin.com
30. Dell Computer Corporation	DELL	NASD	512-338-4400	1 Dell Way Round Rock, TX 78682	www.dell.com
31. Apple Computer, Inc.	AAPL	NASD	408-996-1010 800-692-7753	1 Infinite Loop Cupertino, CA 95014	www.apple.com
32. Compaq Computer Corporation	CPQ	NY	281-370-0670	20555 State Hwy. 249 Houston, TX 77070	www.compaq.com
33. Research in Motion	RIMM	NASD	519-888-7465	295 Phillip St. Waterloo, Ontario N2L 3W8 Canada	www.rim.net
34. Stryker Corporation	SYK	NY	616-385-2600	2775 Fairfield Rd. Kalamazoo, MI 49002	www.strykercorp.com
35. Biomet, Inc.	BMET	NASD	219-267-6639	Airport Industrial Pk. Warsaw, Indiana 46581	www.biomet.com
36. Playboy Enterprises, Inc.	PLA	NY	312-751-8000	680 N. Lake Shore Dr. Chicago, IL 60611	www.playboy.com
37. Reader's Digest Association, Inc.	RDA	NY	914-238-1000	Reader's Digest Rd. Pleasantville, NY 10570-700	www.readersdigest.com
38. Nike, Inc.	NKE	NY	503-671-6453 800-806-6453	1 Bowerman Dr. Beaverton, OR 97005	www.nike.com
39. Reebok International, Ltd.	RBK	NY	781-401-5000	100 Technology Center Dr. Stroughton, MA 02072	www.reebok.com
40. UST, Inc.	UST	NY	203-661-1100	100 W. Putnam Ave. Greenwich, CT 06830	www.shareholder.com/ust

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

The great aim of education is not knowledge, but action.

HERBERT SPENCER

Two heads are better than one.

UNKNOWN AUTHOR

Good writers do not turn in their first draft. Ask someone else to read your written case analysis, and read it out loud to yourself. That way, you can find rough areas to clean 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, too costly to obtain, or 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 forma 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 research in your college library. Library research is required in case analyses.

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 the decisions. 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, prejudge, 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 2000 to 1.3 in 2000, and this is considered to be a major weakness," instead of, "The firm's financial condition is bad." Rather than concluding from a 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 2001." 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, generate feasible alternative strategies, choose among those alternatives, and defend your recommendations. Put yourself back in time to the point when strategic decisions were being made by the firm's strategists. Based on 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 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 strategists. 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