

STRATEGIC CONCEPTS MANAGEMENT

15TH
EDITION

A Competitive Advantage Approach



FRED R. DAVID | FOREST R. DAVID

**FIFTEENTH
EDITION**

STRATEGIC MANAGEMENT Concepts

A COMPETITIVE ADVANTAGE APPROACH

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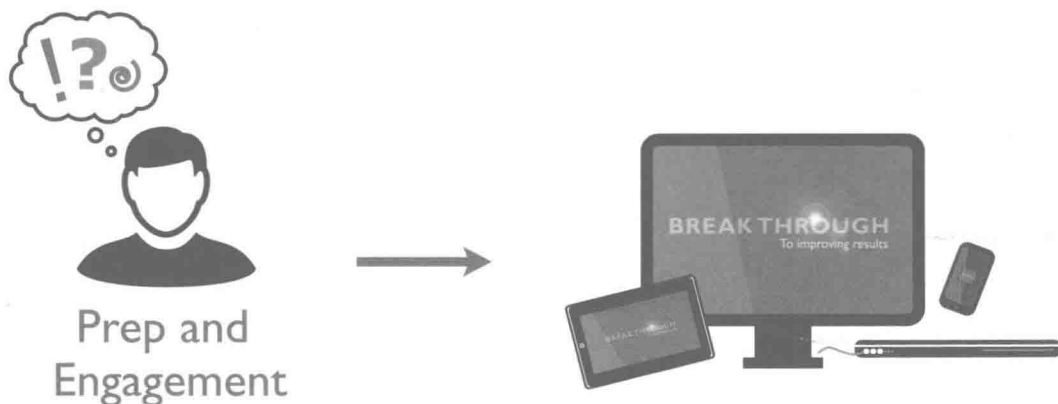
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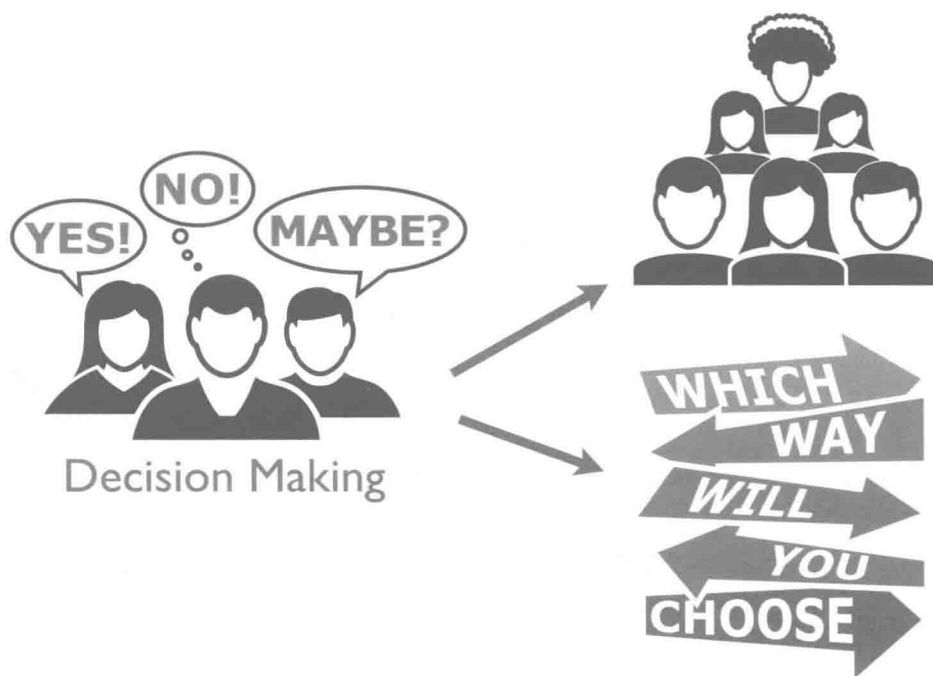
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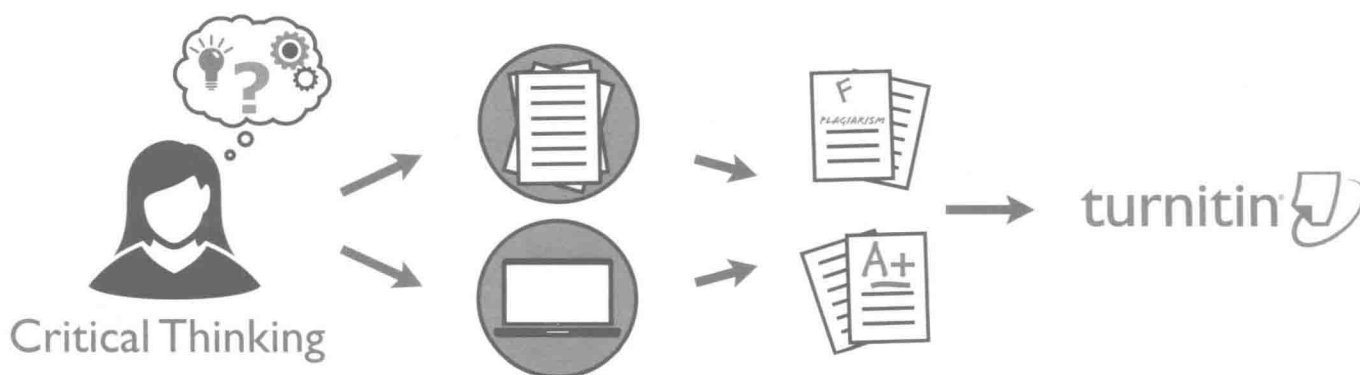
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Welcome Forest, and Thank You:

- For joining me as a coauthor on this 15th edition
- For preparing the *Case Instructor's Manual* for this textbook and five previous editions
- For writing 29 new, excellent cases included in this edition, and many cases in prior editions
- For publishing many strategic management papers and articles with me and other authors
- For your wise strategic-management counsel over many years as this textbook has evolved
- For assisting students for many years through the Strategy Club (www.strategyclub.com) that now also offers your free Excel Student Template
- For developing an outstanding Case MyLab testing feature for this edition
- For preparing the *Chapter Instructor's Manual* for this edition

Preface

Why Adopt This Text?

This textbook is trusted around the world to provide managers the latest skills and concepts needed to effectively formulate and efficiently implement a strategic plan—a game plan, if you will—that can lead to sustainable competitive advantage for any type of business. The Association to Advance Collegiate Schools of Business (AACSB) increasingly advocates a more skills-oriented, practical approach in business books, which the David text provides, rather than a theory-based approach. This textbook meets all AACSB-International guidelines for the strategic-management course at both the graduate and undergraduate levels, and previous editions have been used at more than 500 colleges and universities around the world. We believe you will find this edition to be the best textbook available for communicating both the excitement and value of strategic management. Concise and exceptionally well organized, this text is now published in English, Chinese, Spanish, Thai, German, Japanese, Farsi, Indonesian, Indian, and Arabic. A version in Russian is being negotiated. Not only universities, but also hundreds of companies, organizations, and governmental bodies use this text as a management guide.

In contrast to many other strategic-management textbooks, the David book provides:

1. An effective process for developing a clear strategic plan, rather than simply presenting seminal theories in strategy, and
2. An effective model or flow for actually doing strategic planning.

Eric N. Sims, a professor who in 2013 adopted the David book for his classes at Sonoma State University in California, says:

“I have read many strategy books. I am going to use the David book. What I like—to steal a line from Alabama coach Nick Saban—is your book teaches ‘a process.’ I believe at the end of your book, you can actually help a company do strategic planning. In contrast, the other books teach a number of near and far concepts related to strategy.”

A recent reviewer of this textbook says:

“One thing I admire most about the David text is that it follows the fundamental sequence of strategy formulation, implementation, and evaluation. There is a basic flow from vision/mission to internal/external environmental scanning, to strategy development, selection, implementation, and evaluation. This has been, and continues to be, a hallmark of the David text. Many other strategy texts are more disjointed in their presentation, and thus confusing to the student, especially at the undergraduate level.”

New Chapter Features

1. The fifteenth edition is 40 percent new and improved from the prior edition.
2. Chapter 11, Global and International Issues, is expanded 30 percent with new coverage of cultural and conceptual strategic-management differences across countries. Doing business globally has become a necessity in most industries. Nearly all strategic decisions today are affected by global issues and concerns.
3. Chapter 10, Business Ethics, Social Responsibility, and Environmental Sustainability, is expanded 30 percent, providing extensive new coverage of ethics, workplace romance, and sustainability. This text emphasizes that “good ethics is good business.” Unique to strategic-management texts, the sustainability discussion is strengthened in this edition to promote and encourage firms to conduct operations in an environmentally sound manner. Respect for the natural environment has become an important concern for consumers, companies, society, and AACSB-International.

4. A brand new Cohesion Case on PepsiCo, Inc. (2013) is provided. PepsiCo is one of the most successful, well-known, and best-managed global companies in the world. Students apply strategy concepts to PepsiCo at the end of each chapter through brand new Assurance of Learning Exercises.
5. Fifty percent new or improved Assurance of Learning Exercises appear at the end of all chapters to apply chapter concepts. The exercises prepare students for strategic-management case analysis.
6. A new boxed insert at the beginning of each chapter showcases a company doing strategic management exceptionally well.
7. There are all new examples in all the chapters.
8. There is new narrative on strategic-management theory and concepts in every chapter.
9. On average, 10 new review questions are provided at the end of each chapter.
10. Twenty-two brand new color photographs bring this new edition to life and illustrate “the practice of strategic management.”
11. All current readings at the end of all chapters are new, as new research and theories of seminal thinkers are included. However, practical aspects of strategic management are center stage and the trademark of this text.
12. For the first time ever, the Excel Student Template is provided free at www.strategyclub.com to all students who use this textbook. Widely used for more than a decade by both students and businesses, and improved dramatically just for this edition, the free Excel Student Template enables students to more easily apply strategic-management concepts while engaging in assurance of learning exercises or case analysis. Using the Template, students can devote more time to applying strategy concepts and less time to the mechanics of formatting strategy matrices, tables, and PowerPoints.
13. Every sentence and paragraph has been scrutinized, modified, clarified, deleted, streamlined, updated, and improved to enhance the content and caliber of presentation.

Time-Tested Features

1. This text meets all AACSB-International guidelines that support a practitioner orientation rather than a theory/research approach. This text offers a skills-oriented process for developing a vision and mission statement; performing an external audit; conducting an internal assessment; and formulating, implementing, and evaluating strategies.
2. The author’s writing style is concise, conversational, interesting, logical, lively, and supported by numerous current examples.
3. A simple, integrative strategic-management model appears in all chapters and on the inside front cover. The model is widely used by strategic planning consultants and companies worldwide.
4. An exciting, new Cohesion Case on PepsiCo, Inc. follows Chapter 1 and is revisited at the end of each chapter, allowing students to apply strategic-management concepts and techniques to a real company as chapter material is covered, thus preparing students for case analysis as the course evolves.
5. End-of-chapter Assurance of Learning Exercises apply chapter concepts and techniques in a challenging, meaningful, and enjoyable manner. Seventeen exercises apply text material to the Cohesion Case; 11 exercises apply textual material to a college or university; another 9 exercises send students into the business world to explore important strategy topics.
6. There is excellent pedagogy, including learning objectives opening each chapter and key terms, current readings, discussion questions, and assurance of learning exercises ending each chapter.
7. There is excellent coverage of strategy formulation issues, such as business ethics, global versus domestic operations, vision and mission, matrix analysis, partnering, joint venturing, competitive analysis, value chain analysis, governance, and matrices for assimilating and evaluating information.
8. There is excellent coverage of strategy implementation issues such as corporate culture, organizational structure, outsourcing, marketing concepts, financial analysis, business ethics, whistleblowing, bribery, pay and performance linkages, and workplace romance.

9. A systematic, analytical “process” is presented that includes nine matrices: IFEM, EFEM, CPM, SWOT, BCG, IE, GRAND, SPACE, and QSPM.
10. Both the chapter material and case material is published in four colors.
11. Chapters-only paperback and e-book versions of the text are available.
12. Custom-case publishing is available whereby an instructor can combine chapters from this text with cases from a variety of sources or select any number of the 29 cases provided.
13. For the chapter material, an outstanding ancillary package includes a comprehensive *Instructor’s Manual*, Test Bank, TestGen, and Chapter PowerPoints.

Instructor Supplements

At www.pearsonhighered.com/irc, instructors can access a variety of resources that accompany this new edition. Registration is easy, please contact your Pearson Sales Representative who will provide you with the access information you need.

If you ever need assistance, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit <http://247.pearsoned.com/> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available to adopting instructors:

- *Chapter Instructor’s Manual*
- *Case Instructor’s Manual*
- **Chapter PowerPoints**
- **Test Bank**
- **TestGen**

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Sample of Universities Recently Using This Textbook

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Akron Institute	American University
Albany State University	Anderson University
Albertus Magnus College	Angelo State University
Albright College	Aquinas College
Alcorn State University	Arizona State University—Polytechnic Campus
Alvernia University	Art Institute of California
Ambassador College	Averett University
Amberton University	Avila University
American Intercontinental University—Weston	Azusa Pacific University
American International College	Baker College—Flint
American International Continental (AIU)	Baldwin Wallace College

Barry University	Concordia University Wisconsin
Belhaven University—Jackson	Curry College
Bellevue University	Cuyahoga Community College
Belmont Abbey College	Daniel Webster College
Benedictine University	Davis & Elkins College
Black Hills State University	Delaware State University
Bloomsburg University	Delaware Technology & Community College—Dover
Briar Cliff University	Delaware Technology & Community College—Wilmington
Brooklyn College	DePaul University—Loop Campus
Broward College—Central	East Stroudsburg University
Broward College—North	Eastern Michigan University
Broward College—South	Eastern Oregon University
Bryant & Stratton—Orchard Park	Eastern Washington University
Buena Vista University—Storm Lake	ECPI College of Technology—Charleston
Caldwell College	ECPI Computer Institute
California Polytechnic State University	Elmhurst College
California State University—Sacramento	Embry-Riddle Aero University—Prescott
California State University—San Bernadino	Ferrum College
California University of PA	Florida Agricultural & Mechanical University
Calumet College	Florida Southern College
Capella University	Florida State University
Carlow University	Florida Technical College—Deland
Carson-Newman College	Florida Technical College—Kissimmee
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Catholic University of America	Fort Valley State College
Cedar Crest College	Francis Marion University
Central Connecticut State University	Fresno Pacific University
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Central Washington University	Georgetown College
Chatham University	Georgia Southern University
Chestnut Hill College	Georgia Southwestern State University
Chicago State University	Hampton University
Christian Brothers University	Harding University
Claflin University	Harris Stowe State University
Clarion University of Pennsylvania	Herzing College—Madison
Clarkson College	Herzing College—New Orleans
Clatsop Community College	Herzing College—Winter Park
Cleveland State University	Herzing University—Atlanta
College of William & Mary	High Point University
Colorado State University—Pueblo	Highline Community College
Columbia College	Hofstra University
Columbia Southern University—Online	
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Hood College	Miami-Dade College—Kendal
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Indiana University Bloomington	Mid-America Christian
Indiana Wesleyan CAPS	Millersville University
Iona College	Mississippi University for Women
Iowa Lakes Community College—Emmetsburg	Morgan State University
Jackson Community College	Morrison College of Reno
Jackson State University	Mount Marty College—South Dakota
John Brown University	Mount Mercy University
Johnson & Wales—Charlotte	Mount Wachusett Community College
Johnson & Wales—Colorado	Mt. Hood Community College
Johnson & Wales—Miami	Mt. Vernon Nazarene
Johnson & Wales—Rhode Island	MTI Western Business College
Johnson C. Smith University	Muhlenberg College
Kalamazoo College	Murray State University
Kansas State University	New England College
Keene State College	New Mexico State University
Kellogg Community College	New York University
La Salle University	North Carolina Wesleyan College
Lake Michigan College	North Central College
Lebanon Valley College	North Central State College
Lee University	Northwest Arkansas Community College
Lehman College of CUNY	Northwestern College
Liberty University	Northwood University—Cedar Hill
Limestone College—Gaffney	Notre Dame of Maryland University
Lincoln Memorial University	Nyack College
Loyola College Business Center	Oakland University
Loyola College—Chennai	Ohio Dominican University
Loyola University—Maryland	Oklahoma Christian University
Lyndon State College	Oklahoma State University
Madonna University	Olivet College
Manhattan College	Oral Roberts University
Manhattanville College	Pace University—Pleasantville
Marian University—Indiana	Park University
Marshall University	Penn State University—Abington
Marshall University Graduate College	Penn State University—Hazleton
Marymount University—Arlington	Pensacola State College
Medgar Evers College	Philadelphia University
Medical Careers Institute/Newport News	Point Park University
Mercer University—Atlanta	Prince George's Community College
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Miami-Dade College—Homestead	Richard Stockton University
	Rider University

Roger Williams University	University of Massachusetts—Boston Harbor
Saint Edwards University	University of Massachusetts—Dartmouth
Saint Leo University	University of Miami
Saint Mary's College	University of Michigan—Flint
Saint Mary's College—Indiana	University of Minnesota—Crookston
Saint Xavier University	University of Mobile
San Antonio College	University of Montevallo
Santa Fe College	University of Nebraska—Omaha
Savannah State University	University of Nevada Las Vegas
Shippensburg University	University of New Orleans
Siena Heights University	University of North Texas
Southern Nazarene University	University of North Texas—Dallas
Southern New Hampshire University	University of Pikeville
Southern Oregon University	University of Sioux Falls
Southern University—Baton Rouge	University of South Florida
Southern Wesleyan University	University of St. Joseph
Southwest Baptist University	University of Tampa
Southwest University	University of Texas—Pan American
St. Bonaventure University	University of The Incarnate Word
St. Francis University	University of Toledo
St. Louis University	Upper Iowa University
St. Martins University	Valley City State University
Sterling College	Virginia Community College System
Stevenson University	Virginia State University
Strayer University—DC	Virginia Tech
Texas A&M University—Commerce	Wagner College
Texas A&M University—Texarkana	Wake Forest University
Texas A&M—San Antonio	Washington University
Texas Tech University	Webber International University
The College of St. Rose	Webster University
The Masters College	West Chester University
Tri-County Technical College	West Liberty University
Trinity Christian College	West Valley College
Troy State University	West Virginia Wesleyan College
Troy University—Dothan	Western Connecticut State University
Troy University—Main Campus	Western Kentucky University
Troy University—Montgomery	Western Michigan University
University Alabama—Birmingham	Western Washington University
University Maryland—College Park	William Jewell College
University of Arkansas—Fayetteville	Williams Baptist College
University of Findlay	Winona State University
University of Houston—Clearlake	Winston-Salem State University
University of Louisiana at Monroe	WSU Vancouver
University of Maine at Augusta	
University of Maine—Fort Kent	
University of Maryland	

Sample of Countries Outside the USA Where This Textbook is Very Widely Used

Mexico, China, Japan, Australia, Singapore, Canada, Indonesia, Pakistan, Iran, Kenya, Congo,
Hong Kong, India, England, Argentina, Equador, Zambia, Guam, Italy, Cyprus, Colombia,
Philippines, South Africa, Peru, Turkey, Malaysia, and Egypt



Acknowledgments

Many persons have contributed time, energy, ideas, and suggestions for improving this text over 15 editions. The strength of this text is largely attributed to the collective wisdom, work, and experiences of strategic-management professors, researchers, students, and practitioners. Names of particular individuals whose published research is referenced in this edition are listed alphabetically in the Name Index. To all individuals involved in making this text so popular and successful, we are indebted and thankful.

Many special persons and reviewers contributed valuable material and suggestions for this edition. We would like to thank our colleagues and friends at Auburn University, Mississippi State University, East Carolina University, the University of South Carolina, Campbell University, the University of North Carolina at Pembroke, and Francis Marion University. We have taught strategic management at all these universities. Scores of students and professors at these schools helped shape the development of this text. Many thanks go to the following reviewers whose comments shaped the fourteenth and fifteenth editions:

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We want to thank you, the reader, for investing the time and effort to read and study this text. It will help you formulate, implement, and evaluate strategies for any organization with which you become associated. We hope you come to share our enthusiasm for the rich subject area of strategic management and for the systematic learning approach taken in this text. We want

to welcome and invite your suggestions, ideas, thoughts, comments, and questions regarding any part of this text or the ancillary materials. Please contact Dr. Fred R. David at the following e-mail freddavid9@gmail.com, or write him at the School of Business, Francis Marion University, Florence, SC 29501. We sincerely appreciate and need your input to continually improve this text in future editions. Your willingness to draw my attention to specific errors or deficiencies in coverage or exposition will especially be appreciated.

Thank you for using this text.

Fred R. David and Forest R. David

About the Authors

Fred R. and Forest R. David, a father–son team, have published more than 50 journal articles in outlets such as *Academy of Management Review*, *Academy of Management Executive*, *Journal of Applied Psychology*, *Long Range Planning*, *International Journal of Management*, *Journal of Business Strategy*, and *Advanced Management Journal*. Fred and Forest’s February 2011 *Business Horizons* article titled “What are Business Schools Doing for Business Today?” is changing the way many business schools view their curricula.

Fred and Forest are coauthors of *Strategic Management: Concepts and Cases* that has been on a two-year revision cycle since 1986 when the first edition was published. This text is among the best-selling strategic-management textbooks in the world. This text has led the field of strategic management for more than two decades in providing an applications, practitioner-approach to the discipline. More than 500 colleges and universities have used this textbook over the years, including Harvard University, Duke University, Carnegie-Mellon University, Johns Hopkins University, the University of Maryland, University of North Carolina, University of Georgia, San Francisco State University, University of South Carolina, Wake Forest University, and countless universities in Japan, China, Australia, Mexico, and the Middle East. For six editions of this book, Forest has been sole author of the *Case Instructor’s Manual*, having developed extensive teachers’ notes (solutions) for all the cases. Forest is author of the Case MyLab ancillary and the free Excel Student Template that accompany this fifteenth edition.

Fred and Forest actively assist businesses globally in doing strategic planning. They have written and published more than 100 strategic management cases. Fred and Forest were recently keynote speakers at the Pearson International Forum in Monterrey, Mexico. With a PhD in Management from the University of South Carolina, Fred is the TranSouth Professor of Strategic Planning at Francis Marion University (FMU) in Florence, South Carolina. Forest has taught strategic-management courses at Mississippi State University, Campbell University, and FMU.



Fred R. David



Forest R. David

The Case Rationale

Case analysis remains the primary learning vehicle used in most strategic-management classes, for five important reasons:

1. Analyzing cases gives students the opportunity to work in teams to evaluate the internal operations and external issues facing various organizations and to craft strategies that can lead these firms to success. Working in teams gives students practical experience solving problems as part of a group. In the business world, important decisions are generally made within groups; strategic-management students learn to deal with overly aggressive group members and also timid, noncontributing group members. This experience is valuable because strategic-management students are near graduation and soon enter the working world full-time.
2. Analyzing cases enables students to improve their oral and written communication skills as well as their analytical and interpersonal skills by proposing and defending particular courses of action for the case companies.
3. Analyzing cases allows students to view a company, its competitors, and its industry concurrently, thus simulating the complex business world. Through case analysis, students learn how to apply concepts, evaluate situations, formulate strategies, and resolve implementation problems.
4. Analyzing cases allows students to apply concepts learned in many business courses. Students gain experience dealing with a wide range of organizational problems that impact all the business functions.
5. Analyzing cases gives students practice in applying concepts, evaluating situations, formulating a “game plan,” and resolving implementation problems in a variety of business and industry settings.

Case MyLab Testing Feature

New to this edition is an enhanced MyLab with new cases that include gradeable outcomes. As revealed in the new Concepts x Cases matrix below, student learning of 29 key strategic-management concepts can easily be tested by using the 29 fifteenth edition cases. This feature assures that the cases are excellent for testing student learning of the key strategic-management concepts, thus serving as a great mechanism for professors to achieve AACSB’s Assurance of Learning Objectives. This new testing feature simplifies grading for professors in both traditional and online class settings.

The Case MyLab testing feature includes 25 multiple choice questions for each case, comprised of 10 *Basic* questions that simply test whether the student read the case before class, and 15 *Applied* questions that test the student’s ability to apply various strategic-management concepts. In addition, there are 2 *Discussion* questions per case. This testing feature enables professors to determine, before class if desired, whether students 1) read the case in *Basic* terms, and/or 2) are able to *Apply* strategy concepts to resolve issues in the case. For example, the MyLab case *Basic* question may be: In what country is BMW headquartered? Whereas, a MyLab case *Applied* question may be: What are three aspects of the organizational chart given in the BMW case that violate strategic-management guidelines? The Answers to these questions can be found in the *Case Instructor’s Manual*.