

# STRATEGIC MANAGEMENT

EIGHTH EDITION

CONCEPTS



FRED R. DAVID



EIGHTH EDITION

# STRATEGIC MANAGEMENT CONCEPTS



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

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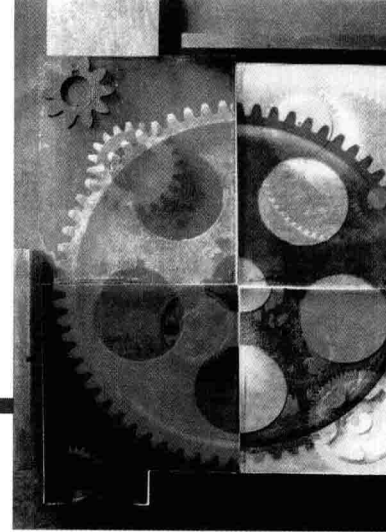
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# PREFACE

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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.

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](http://www.prenhall.com/davidsm). The author maintains the Strategic Management Club Online Web site at [www.strategyclub.com](http://www.strategyclub.com). Membership is now free to both professors and students.

Although 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, 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.



## 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. For this reason, the previous Chapter 10 on “International Strategic Management” has been replaced by substantial new global coverage in each chapter. There is 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. 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*** A new 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. 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 the last decade. Trademarks of this text strengthened in this edition are as follows:

- The text meets AACSB guidelines which support a practitioner orientation rather than a theory/research approach. This text supports that effort by taking a skills-oriented approach to developing a mission statement, performing an external audit, conducting an internal assessment, and formulating, implementing, and evaluating strategies.
- The global theme permeating all chapters couches strategic-management concepts in a global perspective.
- The author's writing style is concise, conversational, interesting, logical, lively, and supported by numerous current examples throughout.
- A simple, integrative strategic-management model appears in all chapters and on the inside front cover of the text.
- A Cohesion Case (America Online—2000) appears after Chapter 1 and is revisited at the end of each chapter. This case allows students to apply strategic-management concepts and techniques to a real organization as chapter material is covered. This integrative (cohesive) approach readies students for case analysis.
- End-of-chapter Experiential Exercises effectively apply concepts and techniques in a challenging, meaningful, and enjoyable manner. Eighteen exercises apply text material to the Cohesion Case; ten apply textual material to a college or university; another ten send students into the business world to explore important strategy topics. The exercises are relevant, interesting, and contemporary.
- Excellent pedagogy, including Notable Quotes and Objectives to open each chapter, and Key Terms, Current Readings, Discussion Questions, and Experiential Exercises to close each chapter.
- Excellent coverage of business ethics aimed at more than meeting AACSB standards.
- Excellent coverage of strategy implementation issues such as corporate culture, organizational structure, marketing concepts, and financial tools and techniques.
- A systematic, analytical approach presented in Chapter 6, including matrices such as the TOWS, BCG, IE, GRAND, SPACE, and QSPM.
- The chapter material is again published in four color.
- “Take It to the Net” Internet exercises available at [www.prenhall.com/davidsm](http://www.prenhall.com/davidsm).
- The Web site [www.prenhall.com/davidsm](http://www.prenhall.com/davidsm) provides chapter and case updates and support materials.
- A chapters-only paperback version of the text is available.





## KEY CHAPTER IMPROVEMENTS



- Chapter 10 on “International Strategic Management” has been replaced with extensive integration of global issues and concerns into every chapter.
- The old Chapter 2 titled “Strategies in Action” has shifted to become Chapter 5, now directly preceding Chapter 6 titled “Strategy Analysis and Choice.”
- A brand new e-commerce theme (highlighted in the E-Commerce Perspective boxes) permeates each chapter to portray the increasing reliance upon e-commerce by both large and small firms. The prior technology theme has been deleted.
- A brand new Global Perspective boxed insert is provided in each chapter to support the expanded Global theme.
- A revised Natural Environment boxed insert appears in each chapter to show strategic relevance of this issue to business.
- The strategic-management model that appears in each chapter now includes vision as an important concept. Also, the model has been altered to reflect particular chapter numbers.
- Material within and among chapters has been substantially reorganized to improve caliber of presentation.
- 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.

## Specific Chapter Changes

- Chapter 1 titled “The Nature of Strategic Management”—New headings, subheadings, and topics include: History of Strategic Planning, Pitfalls in Doing Strategic Planning, Why Some Firms Do No Strategic Planning, Guidelines for Doing Strategic Planning, Internet Ethics Issues, Nature of Global Competition, Advantages and Disadvantages of International Operations.
- 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 undated 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.

- Chapter 5 titled “Strategies in Action”—Previously Chapter 2, new headings include: Should Internet Sales Remain Tax-Free? Does the USA Lead in Small Business Start-ups?, The Nature of Long-Term Objectives, and Not Managing by Objectives. All new strategy examples are provided, including the lists of current divestitures, joint ventures, and mergers. Previous table titled Guidelines for Situations When Particular Strategies Are Most Effective has been replaced with appropriate integration throughout the chapter. Joint Venture is no longer grouped as a Defensive Strategy. Michael Porter’s generic strategy material shifts and expands in coverage.
- Chapter 6 titled “Strategy Analysis and Choice”—New headings include: Industries Most Affected By Online Sales, Merger Mania in Europe, Boards of Directors. The long-term objectives material shifts to prior chapter. New year-2000 examples provided throughout. Extensive new coverage provided on governance. Matrix approach to strategy analysis and choice improved.
- Chapter 7 titled “Implementing Strategies: Management Issues”—New headings include: Restructuring Changes a Country, The Mexican Culture, The Russian Culture, The Chinese Culture, CEO’s Becoming E-Commerce Leaders. Increased coverage of women in top management, natural environment issues, e-engineering, global issues, and e-commerce. All new examples provided.
- Chapter 8 titled “Implementing Strategies: Marketing, Finance/Accounting, R&D, and CIS Issues”—New coverage of Internet marketing, Internet advertising, market segmentation, New headings include: Europe Acquiring the USA, Business Reaction to Global Warming, New Trends in Firms Going Public. New examples provided throughout. Expanded coverage of global and e-commerce factors.
- Chapter 9 titled “Strategy Review, Evaluation, and Control”—New headings are The Best Companies in Britain, France, and Germany and Using Virtual Close for Strategy Evaluation. All new examples provided. Increased coverage of global factors and e-commerce issues.



## 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 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, 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](http://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 Hershey Foods Cohesion Case and to your own university.

Be sure to visit the Strategic Management Club Online Web site at [www.strategyclub.com](http://www.strategyclub.com). The templates and links there are free 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:

Anthony F. Chelte, Western New England College  
 Leyland M. Lucas, Rutgers University  
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 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 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 with this text. These persons helped develop the most current compilation of cases ever assembled with a business policy text:

Claire Anderson, Old Dominion University  
 M. Jill Austin, Middle Tennessee State University  
 Robert Barrett, Francis Marion University  
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 Frank Shipper, Arizona State University  
 Matthew Sonfield, Hofstra University  
 David Stanton, University of South Carolina  
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 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.

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

Bruce Barringer, *Instructor's Manual*  
 University of Central Florida  
 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*




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# *INTRODUCTION*

## HOW TO ANALYZE A BUSINESS POLICY CASE



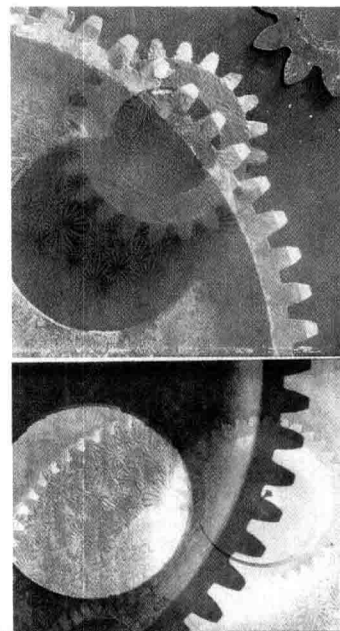
### OUTLINE

- 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 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 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, 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 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 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 2001, 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 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