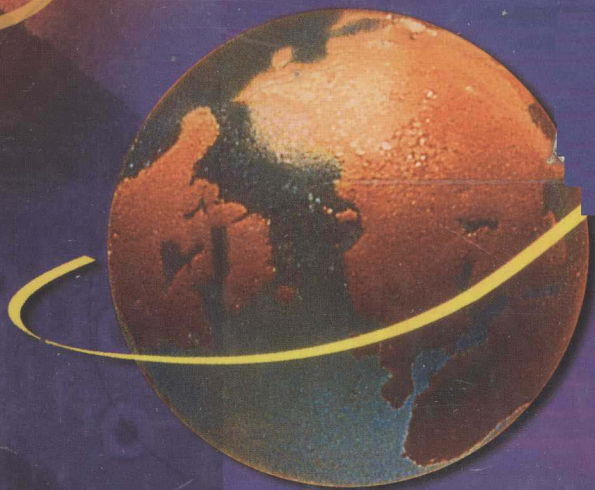


7th Edition

Strategic Management & Business Policy



Year 2000: The New Global Millennium



Thomas L. Wheelen
J. David Hunger

**SEVENTH
EDITION**

STRATEGIC MANAGEMENT

AND BUSINESS POLICY

Entering 21st Century Global Society

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Preface

For this, the 7th edition of our book, we have chosen to keep the text portion (the 14 chapters) unchanged from the 6th edition, but to replace or update the cases. These 32 cases emphasize the key issues facing corporations in the globally oriented 21st century: a rapidly changing environment and a more complex set of international variables to be managed. Since strategic management is a field of inquiry that focuses on the organization as a whole and its interactions with its environment, our set of cases emphasizes competitive advantage in a global society. **Twenty-four cases are either new or updated revisions of popular cases.** Nineteen cases contain international strategic issues. The cases range from small entrepreneurial ventures to global multinational corporations in nine industries. Seven cases come from different regions of the globe:

- *The Body Shop* (Britain)
- *A Joint Venture in China* (China)
- *Airbus Industrie* (European Union)
- *Whirlpool—The First Venture into India* (India)
- *Seven-Eleven Japan* (Japan)
- *Carnival Corporation* (Panama)
- *Mikromashina of Moscow* (Russia)

This textbook, *Strategic Management and Business Policy*, received the prestigious McGuffey Award for Excellence and Longevity in 1999 from the Text and Academic Authors Association.

Objectives

This book focuses on the following objectives, typically found in most strategic management and business policy courses:

- To develop an understanding of strategic management concepts, research, and theories.
- To develop a framework of analysis to enable a student to identify central issues and problems in complex, comprehensive cases; to suggest alternative courses of action; and to present well-supported recommendations for future action.
- To develop conceptual skills so that a student is able to integrate previously learned aspects of corporations.
- To develop an understanding of the emerging global economy and its potential impact on business activities in any location.

- To develop an understanding of the role of corporate governance in strategic management.
- To develop the ability to analyze and evaluate, both quantitatively and qualitatively, the performance of the people responsible for strategic decisions.
- To bridge the gap between theory and practice by developing an understanding of when and how to apply concepts and techniques learned in earlier courses on marketing, accounting, finance, management, production, and information systems.
- To improve research capabilities necessary to gather and interpret key environmental data.
- To develop a better understanding of the present and future environments in which corporations must function.
- To develop analytical and decision-making skills for dealing with complex conceptual problems in an ethical manner.

This book achieves these objectives by presenting and explaining concepts and theories useful in understanding the strategic management process. It critically analyzes studies in the field of strategy to acquaint the student with the literature of this area and to help develop the student's research capabilities. It also suggests a model of strategic management. It recommends the strategic audit as one approach to the systematic analysis of complex organization-wide issues. Through a series of special issue and comprehensive cases, it provides the student with an opportunity to apply concepts, skills, and techniques to real-world corporate problems. The book focuses on the business corporation because of its crucial position in the economic system of the world and in the material development of any society.

Features New to This 7th Edition

- This edition includes 32 cases—24 new or revised and updated.
 - **Seven global cases** (*Body Shop, Joint Venture in China, Airbus, Whirlpool in India, Seven-Eleven Japan, Carnival, and Mikromashina of Moscow*) have been added to reflect integration of international issues throughout the chapters.
 - **Four classic special-issue cases** (*Recalcitrant Director, Wallace Group, Audit, and Brookstone Hospice*) and **three appliance industry cases** (*Appliance Industry Note, Maytag, and Whirlpool*) have been carried forward from the 6th edition. **One** timeless classic small entrepreneurship case has been brought forward from an earlier edition (*Inner-City Paint*).
 - **Fourteen popular cases have been revised and updated** from the 6th edition (*Arm & Hammer, Tasty Baking, Microsoft, Apple, Walt Disney, Carnival, Harley-Davidson, Reebok, Kmart, Wal-Mart, Nordstrom, Home Depot, Body Shop, and Vermont Teddy Bear*).
 - **Ten cases are brand new** (*Cisco, Sun, Circus Circus, ACIS, Whirlpool-India, Seven-Eleven Japan, Sunbeam, Mikromashina of Moscow, Joint Venture in China, and Airbus*.)
- **Eleven cases have been written exclusively for this book.**

- **The 28 cases dealing with issues in strategic management are comprehensive** (deal with the entire strategic management process). These cases are excellent to use in team analyses and presentations. These cases are grouped into nine industries:
 - Food (2 cases)
 - Computer/Internet/Software (4 cases)
 - Entertainment/Travel (4 cases)
 - Recreation Equipment (2 cases)
 - Major Home Appliances (1 industry note and 3 cases)
 - Mass Merchandising/Department Stores (3 cases)
 - Specialty Retailers (3 cases)
 - Small/Medium Entrepreneurial Ventures (2 cases)
 - Manufacturing (4 cases)
- **This edition includes 19 cases containing international issues.**
 - Six cases are of companies operating primarily outside North American (*Body Shop, Joint Venture in China, Whirlpool-India, Seven-Eleven Japan, Mikromashina of Moscow, and Airbus*).
 - Thirteen cases are of North American-based companies with significant international operations and issues (*Microsoft, Apple, Cisco, Sun, Walt Disney, Carnival, ACIS, Harley-Davidson, Reebok, Major Home Appliance Industry, Maytag, Whirlpool, and Wal-Mart*).
- **This edition includes cases of companies at all stages of corporate development.**
 - Small / medium entrepreneurial companies (with founder as CEO) (*Inner-City Paint, Vermont Teddy Bear, Brookstone Hospice, Recalcitrant Director at Byte, and Wallace Company**).
 - Large / very large entrepreneurial companies (*Apple Computer, Cisco Systems, Sun Microsystems, Microsoft, Reebok, Home Depot, and Body Shop*).
 - Established companies (*Tasty Baking, Circus Circus, Carnival, Harley-Davidson, Major Home Appliance Industry, Whirlpool, Kmart, Wal-Mart, Nordstrom, Seven-Eleven, Maytag, * Walt Disney, * Arm & Hammer [Church & Dwight], * and Sunbeam**).
 - Business units / joint ventures (*ACIS, Whirlpool-India, Joint Venture in China, Airbus, and Mikromashina of Moscow**).
- **This edition includes cases that can be used to illustrate specific aspects of the strategic management process.**
 - **Corporate Governance**
Recalcitrant Director at Byte (also social responsibility)
The Wallace Group

*Note: Diversified into multiple industries.

- **Social Responsibility and Ethics**
 - The Audit*
 - Brookstone Hospice*
 - Recalcitrant Director at Byte* (also governance)
- **Environmental Scanning**
 - U.S. Major Home Appliance Industry* (industry analysis)
 - Whirlpool-India* (societal factors)
 - Mikromashina of Moscow* (societal factors)
 - Seven-Eleven Japan* (societal factors)
 - Joint Venture in China* (societal factors)
 - Airbus* (industry analysis)
 - Circus Circus* (societal and industry factors)
 - The Wallace Group* (organizational analysis)
 - Vermont Teddy Bear* (organizational analysis)
- **Strategy Formulation**
 - Maytag* (objectives and strategy)
 - Arm & Hammer* (strategy)
 - Tasty Baking* (strategy)
 - Microsoft* (strategy)
 - Apple Computer* (strategy)
 - Cisco Systems* (strategy)
 - Sun Microsystems* (strategy)
 - Carnival* (strategy)
 - Reebok* (strategy)
 - Whirlpool* (strategy)
 - Mikromashina of Moscow* (strategy)
 - Airbus* (strategy)
 - Kmart* (strategy)
 - Wal-Mart* (strategy)
 - Sunbeam* (strategy)
 - Nordstrom* (strategy and policies)
 - Body Shop* (strategy and policies)
- **Strategy Implementation**
 - Walt Disney* (business unit synergy)
 - ACIS* (structure/organizational design)
 - Harley-Davidson* (productivity)
 - Seven-Eleven Japan* (structure/organizational design)
 - Home Depot* (culture)
 - Vermont Teddy Bear* (programs and procedures)

Joint Venture in China (programs and procedures)

Sunbeam (executive succession)

- **Evaluation and Control**

Nordstrom (culture and policies)

Brookstone Hospice (policies)

The Audit (accounting methods)

Inner-City Paint (financial controls)

Sunbeam (performance evaluation)

Features Common to the 6th and 7th Editions

The 14 chapters of text are continued unchanged from the 6th edition. Key features are:

- **Core and distinctive competencies** are examined within the framework of the resource-based view of the firm (Chapter 4).
- The firm is conceptualized as a **learning organization** that can learn from its own experience (Chapter 1).
- **Cooperative strategy** (strategic alliances, joint ventures, etc.) is added to competitive strategy and tactics in a separate business strategy chapter (Chapter 5).
- **Hypercompetition** is discussed in terms of its impact on industry analysis and competitive strategy (Chapters 3 and 5).
- **Activity-based costing and value-chain analysis** (both industry and firm value chains) are used to identify those activities and functions that can be outsourced or developed to gain competitive advantage (Chapters 3 and 10).
- **International issues** (a separate chapter in previous editions) are now integrated throughout the text chapters where appropriate.
- **Corporate governance** is coupled with **social responsibility and ethics** (Chapter 2).
- **Corporate strategy** is reconceptualized and presented not only in the traditional sense as portfolio analysis and as directional strategy for the firm as a whole, but also as “parenting” of business units to transfer core competencies (Chapter 6).
- The top-down **orientation** toward strategic management has been softened by showing how people at all organizational levels are becoming increasingly involved in strategic management as members of a learning organization (Chapter 1).
- The **resource-based view of the firm** has been expanded to include an examination of core and distinctive competencies (Chapters 4 and 7).
- An **industry matrix** adds to industry analysis by providing a means to summarize strategic factors facing a particular industry (Chapter 3).
- Two specially boxed features—**21st Century Global Society** and **Strategy in a Changing World**—illustrate not only how the global environment is affecting strategic decisions, but also how strategic concepts are being applied in actual organizations.

- A section on **Global Issues for the 21st Century** highlights how international issues will be affecting strategic management in the future.
- **Projections for the 21st Century** end each chapter by forecasting what the world will be like in 2010.
- A **short case or experiential exercise** focusing on the material covered in each chapter helps the reader to apply strategic concepts to an actual situation.
- A list of **key terms** and the pages on which they are discussed enable the reader to keep track of important concepts as they are introduced in each chapter.

Time-Tested Features

This edition contains many of the same features and content that helped make previous editions successful, including the following:

- A **strategic management model** runs throughout the first ten chapters as a unifying concept.
- Special chapters deal with strategic issues in **managing technology and innovation, entrepreneurial ventures and small businesses, and not-for-profit organizations** (Chapters 11, 12, and 13, respectively).
- Internal and external strategic factors are emphasized through the use of specially designed **EFAS, IFAS, and SFAS tables** (Chapters 3, 4, and 5).
- **Corporate governance** is examined in terms of the roles, responsibilities, and interactions of top management and the board of directors (Chapter 2).
- **Social responsibility and managerial ethics** are examined in detail in terms of how they affect strategic decision making (Chapter 2).
- Equal emphasis is placed on **environmental scanning** of the societal environment as well as on the task environment. Topics include forecasting and Miles and Snow's typology in addition to Porter's industry analysis (Chapter 3).
- Two chapters deal with issues in **strategy implementation**, such as organizational and job design plus strategy-manager fit, action planning, and corporate culture (Chapters 8 and 9).
- A separate chapter on **evaluation and control** explains the importance of measurement and incentives to organizational performance (Chapter 10).
- **Company Spotlight on Maytag Corporation** features illustrate the issues in each chapter and serve to integrate the material (Chapters 1–13).
- **Suggestions for in-depth case analysis** provide a complete listing of financial ratios, recommendations for oral and written analysis, and ideas for further research (Chapter 14).
- The **strategic audit**, a way to operationalize the strategic decision-making process, serves as a checklist in case analysis (Chapter 10).
- The **Strategic Audit Worksheet** is based on the time-tested strategic audit and is designed to help students organize and structure daily case preparation in a brief period

of time. The worksheet works exceedingly well for checking the level of daily student case preparation—especially for open class discussions of cases (Chapter 14).

- **Timely, well-researched, and class-tested cases** deal with interesting companies and industries. Many of the cases are about well-known, publicly held corporations—ideal subjects for further research by students wishing to “update” the cases.
- **An Industry Note for use in industry analysis** of the major home appliance industry is included for use by itself or with the Maytag and Whirlpool cases.
- **Key Theory** capsules explain key theories underlying strategic management. This feature adds emphasis to the theories, but does not interrupt the flow of the text material.

Supplements

Supplemental materials are available to the instructor from the publisher. These include Instructor’s Manuals, Win/PH Test Manager, video clips, a Web site, and overhead transparencies.

Instructor’s Manuals

Two comprehensive Instructor’s Manuals have been carefully constructed to accompany this book. The first one accompanies the text chapters; the second one accompanies the cases.

TEXT Instructor’s Manual

To aid in discussing the 14 chapters dealing with strategic management concepts, the TEXT Instructor’s Manual includes:

1. *Suggestions for Teaching Strategic Management*: Discusses various teaching methods and includes suggested course syllabi.
2. *Video Guide*: Presents summaries of free videos and suggestions for classroom use.
3. *Chapter Notes*: Includes summaries of each chapter, suggested answers to discussion questions, suggestions for using end-of-chapter cases/exercises, plus additional discussion questions (with answers) and lecture modules.
4. *Multiple-Choice Test Questions*: Contains approximately 50 questions for each of the 14 chapters totaling over 700 questions from which to choose.
5. *Transparency Masters*: Includes over 170 transparency masters of figures and tables in the text plus other exhibits.

CASE Instructor’s Manual

To aid in case method teaching, the CASE Instructor’s Manual includes detailed suggestions for use, teaching objectives, and examples of student analyses for each of the 32 cases. This is the most comprehensive Instructor’s Manual available in strategic management. A standardized format is provided for each case:

1. *Case Abstract*

2. *Case Issues and Subjects*
3. *Steps Covered in the Strategic Decision-Making Process*
4. *Case Objectives*
5. *Suggested Classroom Approaches*
6. *Discussion Questions*
7. *Case Author's Teaching Note*
8. *Student-Written Strategic Audit or Paper*
9. *EFAS, IFAS, SFAS Exhibits*
10. **Financial Analysis: Ratios and common-size income statements**

Instructor's Resource CD-ROM

The Instructor's Resource CD-ROM contains tools to facilitate instructors' lectures and examinations. These include PowerPoint™ Electronic Transparency Masters, a collection of over 170 figures and tables from the text. The instructor may customize these presentations and can present individual slides for student handouts. The Instructor's Manuals have also been added to the Instructor's Resource CD-ROM.

Win/PH Test Manager

Containing all of the questions in the printed Test Item File, Test Manager is a comprehensive suite of tools for testing and assessment. Test Manager allows educators to easily create and distribute tests for their courses, either by printing and distributing through traditional methods, or by on-line delivery via a Local Area Network (LAN) server.

Videos

Video clips featuring cases in this book plus company and industry vignettes for use with various chapters are available free to adopters of this textbook. These video clips can be used to accompany various chapters in the text to provide examples of strategic management issues and concepts.

PHLIP/CW

Strategic Management and Business Policy, 7/e, is supported by PHLIP (Prentice Hall Learning on the Internet Partnership), the book's companion Web site. An invaluable resource for both instructors and students, PHLIP features a wealth of up-to-date, on-line resources at the touch of a button! A research center, current event articles, interactive study guide, exercises, and additional resources are combined to offer the most advanced text-specific Web site available.

Visit www.prenhall.com/wheelen

An alternate Web site you can access is:

<http://www.bus.iastate.edu/jdhunger/strategy>

Transparencies

NEW! One hundred and thirty professionally prepared overhead transparencies are now available for instructors' use.

Acknowledgments

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Tampa, Florida
 Ames, Iowa

T. L. W.
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