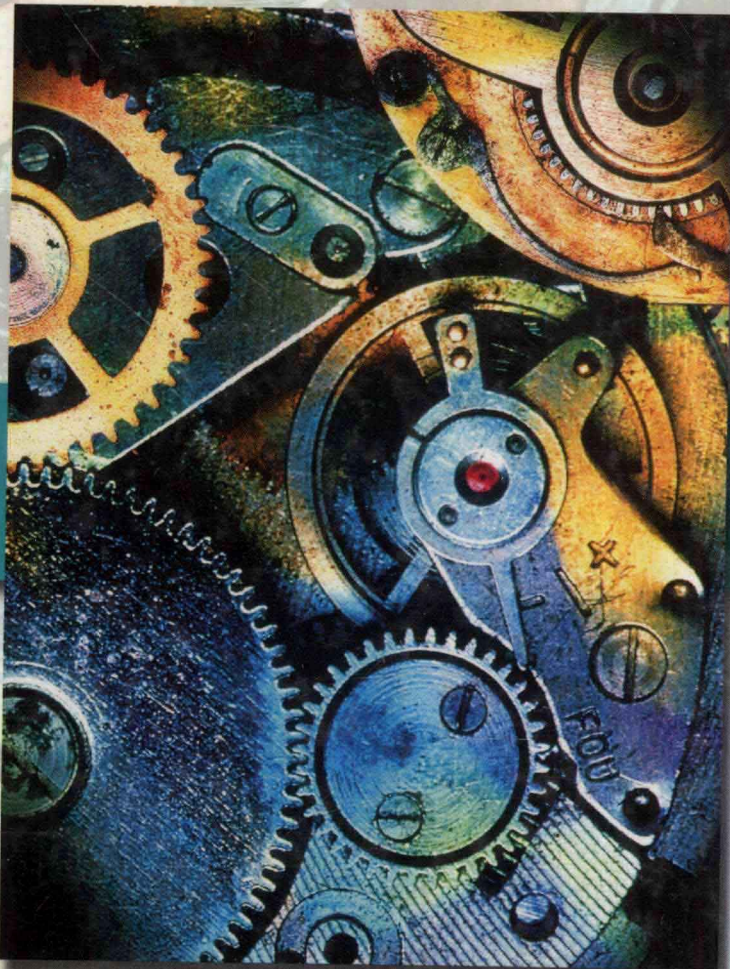


STRATEGIC MANAGEMENT



Concepts & Cases

Ninth Edition



Fred R. David



NINTH EDITION

STRATEGIC MANAGEMENT

CONCEPTS & CASES

FRED R. DAVID

Francis Marion University

Prentice
Hall

Upper Saddle River, New Jersey 07458

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

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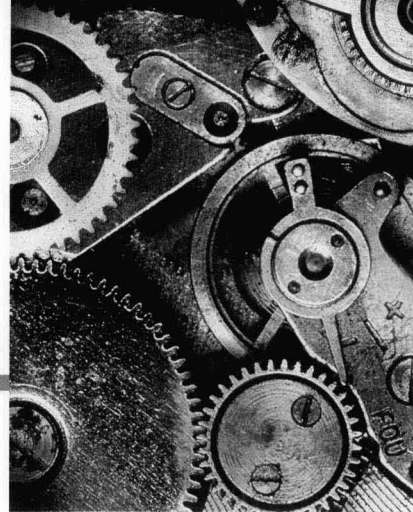
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PREFACE



The global recession and war on terrorism 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. E-commerce has changed the nature of business to its core. Thousands of strategic alliances and partnerships were formed in 2000–2002. Hundreds of companies declared bankruptcy, and interest rates fell to their lowest level in fifty years. 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 eroded, and new ones formed. Both the challenges and opportunities facing organizations of all sizes today are greater than ever.

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

Our mission in preparing the ninth 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. New strategic-management research and practice are incorporated throughout the chapters, and hundreds of new examples abound. There is a new Cohesion Case on American Airlines—2002. A wonderful selection of new cases include such companies as Royal Caribbean, Winn-Dixie, Coors, Hewlett-Packard Corporation, and Best Buy Company. The time basis for all cases included in this edition is 2002, representing the most up-to-date compilation of cases ever assembled in a business policy text.

I believe, along with scores of reviewers, that 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 six different languages—English, Chinese, Spanish; Arabic, Indonesian, and Japanese—this text is 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 levels. 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/david. The author maintains the Strategic Management Club Online Web site at www.strategyclub.com. Membership is now free to both professors and students.

Although the 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. 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. There is substantial new global coverage in each chapter due to 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 before. 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

The 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. The 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—CHAPTERS

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

Chapters: Time-Tested Features

- 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.
- A simple, integrative strategic-management model appears in all chapters and on the inside front cover of the text.
- A Cohesion Case (American Airlines—2002) 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.
- The Web site www.prenhall.com/david provides chapter and case updates, an online study guide, and support materials.



KEY CHAPTER IMPROVEMENTS

- Dramatically improved coverage of global issues and concerns has been woven into every chapter.
- Mostly new E-Commerce Perspective boxed inserts appear in each chapter to portray the increasing reliance upon e-commerce by both large and small firms.

- Mostly new Global Perspective boxed inserts are provided in each chapter to support the expanded global theme.
- Mostly new Natural Environment Perspective boxed inserts appear in each chapter to show strategic relevance of this issue to business.
- 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 in a new Visit the Net feature.



TIME-TESTED FEATURES—CASES

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

- The 2002 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.

Changes in the Cases

- Nine brand-new, yearend 2001 cases focusing on companies in the news appear exclusively for the first time in this text. The cases are:

American Airline—The New Cohesion Case	Best Buy Company
Winn-Dixie	Hewlett-Packard
Coors	First State Bank of Roans Prairie
Royal Caribbean	US Airways
Strictly Roots Natural Hair Salon	

- Thirty-two fully updated cases from the last edition are included as follows:

Reader's Digest Association	Lockheed Martin Corporation
Reebok International	Dell Computer Corporation
E*Trade	Limited Brands
eBay	Wal-Mart Stores
Amazon.com	Target Corporation

Mandalay Resort Group
 Harrah's Entertainment
 The Audubon Institute
 Riverbanks Zoological Park and Botanical
 Garden
 The Classic Car Club of America
 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
 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 three purely e-commerce cases to support the new e-commerce theme. The cases are 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 for both cases and concepts, offering professors easy lecture outlines for in-class presentations. Chapter headings and topics are highlighted on up to thirty PowerPoint slides per chapter. The *Instructor's Manual* and *Test Manager Software* 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 with Test Item File*. Provides lecture notes, teaching tips, answers to all end-of-chapter Experiential Exercises and Review Questions, additional Experiential Exercises not in the text, sample course syllabi, and a Test Item file with multiple-choice, true/false, and essay questions.
- *Twenty Color Case Video Segments*. To accompany the Cohesion Case, a color video prepared by American Airlines is available to adopters free of charge. Shown near the beginning of the course, the American Airlines 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.
- *The Prentice Hall Companion Website*. www.prenhall.com/david 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. Supplements are available for faculty download on the password-protected side of the Web site.
- *Standard Web CT—Free to Adopters*. Standard Web CT, an online course from Prentice Hall, features Companion Website and *Test Manager Software* content in an easy-to-use system. Developed by educators for educators and their students,

the 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 either to enhance a traditional course or to create the entire course online.

- *Printed and Computerized Test Bank.* The test bank for this text includes true/false questions, multiple-choice questions, and 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 text software to facilitate preparing and grading tests.
- *Blackboard.* Easy to use, Blackboard's single template and tools make it easy to create, manage, and use online course materials. Instructors can create online courses using the Blackboard tools, which include design, communication, testing, and course management tools. For more information, please visit our Web site located at <http://www.prenhall.com/blackboard>.
- *CourseCompass.* This customizable, interactive online course management tool powered by Blackboard provides the most intuitive teaching and learning environment available. Instructors can communicate with students, distribute course material, and access student progress online. For further information, please visit our Web site located at <http://www.prenhall.com/coursecompass>.



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 on 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, Lucent Technologies was prosperous during the 1990s but ineffective strategies in the years 2000–2002 led to massive losses, the ouster of chief executive Richard McGinn, an SEC investigation, a debt-rating one notch above junk, and a battle to raise any turnaround capital. The number of bankruptcies increased 30 percent in 2001, including such well known companies as AMF Bowling, Polaroid cameras, Converse sneakers, Schwinn bicycles, Vlasic pickles, Coleman camping supplies, Chiquita bananas, Sunbeam appliances, Enron, and Burlington Industries. The Houston-based energy firm Enron is the largest U.S. company ever to file for Chapter 11 bankruptcy.

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 any 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 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 semester and have fun. Good luck!



ACKNOWLEDGMENTS

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

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Leyland M. Lucas, Rutgers University
Joshua D. Martin, Temple University
Bob D. Cutler, Cleveland State University

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 updated business policy cases, the strategic-management course and discipline would lose much of their 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:

M. Jill Austin, Middle Tennessee State University	Lenessa Hawkins, Francis Marion University
Robert Barrett, Francis Marion University	Marilyn Helms, Dalton State College
Alen Badal, The Union Institute	Brian Kinard, Mississippi State University
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Jason Gooch, Sam Houston State University	Carolyn Stokes, Francis Marion University
Margie Goodson, Francis Marion University	John Urbanski, Francis Marion University
Christie Haney, Sam Houston State University	Stephanie Wilhelm, Francis Marion University
James Harbin, East Texas State University	Anthony Williams, Sam Houston State 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 ninth edition ancillary authors as follows:

Bruce Barringer, <i>Instructor's Manual</i> University of Central Florida	Frostburg State University
Forest David, <i>Case Instructor's Manual</i> Mississippi State University	Tony Chelte, <i>PowerPoint Electronic</i> Western New England College
Amit Shah, <i>Test Manager Software and Companion Website Content</i>	Forest David, <i>Case PowerPoints</i> Mississippi State University

I also want to thank you, the reader, for investing the time and effort it took you to read and study 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 843-661-1431, 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

FRED DAVID'S STRATEGIC MANAGEMENT, NINTH ED., CASE COMPANIES

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NINTH EDITION SERVICE COMPANY CASES					
AIRLINES					
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2. US Airways	U	NY	703-872-5009	2345 Crystal Drive Arlington, VA 22227	www.usairways.com
INTERNET COMPANIES					
3. E*Trade	ET	NY	650-331-6000 888-772-3477	4500 Bohannon Dr. Menlo Park, CA 94025	www.etrade.com
4. eBay	EBAY	NASD	408-558-7400	2005 Hamilton Ave. San Jose, CA 95125	www.ebay.com
5. Amazon	AMZN	NASD	206-622-2335	1516 2nd Avenue Seattle, WA 98101	www.amazon.com
RETAILERS					
6. Limited Brands	LTD	NY	614-415-7000	3 Limited Parkway Columbus, Ohio 43216	www.limited.com
7. Wal-Mart Stores, Inc.	WMT	NY	501-273-4000 501-277-6921	702 SW Eighth St. Bentonville, Arkansas 72716-8611	www.wal-mart.com
8. Target Corporation	TGT	NY	612-370-6948	777 Nicollet Mall Minneapolis, Minnesota 55402-2055	www.target.com
9. Best Buy Company	BBY	NY	952-947-2422	Eden Prairie, Minnesota	www.bestbuy.com
HOTEL AND GAMING					
10. Mandalay Resort Group	MBG	NY	702-734-0410 702-632-7777	3950 Las Vegas Blv Las Vegas, NV 89119	www.mandalayresortgroup.com
11. Harrah's Entertainment	HET	NY	901-762-8600 702-407-6000	1023 Cherry Road Memphis, TN 38117	www.harrahs.com
BANKS					
12. Wachovia	WB	NY	704-374-6565	1 Wachovia Center Charlotte, NC 28288-0570	www.wachovia.com
13. First State Bank of Roans Prairie	N/A	N/A	936-395-2141	Roans Prairie, TX	N/A
ZOOS					
14. Audubon Nature Institute	N/A	N/A	504-861-2537	6500 Magazine Street New Orleans, LA 70118	www.auduboninstitute.org
15. Riverbanks Zoo	N/A	N/A	803-779-8717	Riverbanks Society PO Box 1060 Columbia, SC 29202	www.riverbanks.org

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17. Royal Caribbean	RCL	NY	305-539-6000	1050 Caribbean Way Miami, FL 33132	www.royal caribbean.com
CHURCHES					
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	409-295-7694	Huntsville, Texas 77340	www.elbc.org
GROCERY CHAIN					
20. Winn-Dixie	WIN	NY	904-783-5000	P.O. Box B Jacksonville, FL 32203	www.winndixie.com
MOM AND POP BUSINESS					
21. Strictly Roots Natural Hair Salon	N/A	N/A	713-529-5017	Houston, Texas	www.strictly-roots.com
NONPROFIT ORGANIZATION					
22. Classic Car Club of America	N/A	N/A	847-390-0443	1645 Des Plaines River Rd. Suite 7 Des Plaines, IL 60018	www.classiccarclub. org/
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COSMETICS					
25. Avon Products Inc.	AVP	NY	212-282-5000	Avenue of the Americas New York, NY 10105-0196	www.avon.com
26. Revlon Inc.	REV	NY	212-527-4000	625 Madison Ave. New York, NY 10022	www.revlon.com
FOOD					
27. Pilgrim's Pride Corp.	CHX	NY	903-855-1000	110 South Texas St. Pittsburg, Texas 75686	www.pilgrimspride. com
28. H.J. Heinz Co.	HNZ	NY	412-456-5700	600 Grant Street Pittsburg, PA 15219	www.heinz.com
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32. Dell Computer	DELL	NASD	512-338-4400	1 Dell Way Round Rock, TX 78682	www.dell.com
33. Hewlett-Packard	HPQ	NY	650-857-1501	3000 Hanover Street Palo Alto, CA 94304	www.hewlett-packrd.com
MEDICAL					
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35. Biomet Inc.	BMET	NASD	219-267-6639	Airport Industrial Pk. Warsaw, Indiana 46581	www.biomet.com
MAGAZINES					
36. Playboy Enterprises	PLA	NY	312-751-8000	680 N. Lake Shore Dr. Chicago, IL 60611	www.playboy.com
37. Reader's Digest Association	RDA	NY	914-238-1000	Reader's Digest Road Pleasantville, NY 10570-7000	www.readersdigest.com
FOOTWEAR					
38. Nike Inc.	NKE	NY	503-671-6453 800-640-8007	1 Bowerman Dr. Beaverton, OR 97005	www.nike.com
39. Reebok	RBK	NY	781-401-5000	100 Technology Center Dr. Stroughton, MA 02072	www.reebok.com
TOBACCO					
40. UST Inc.	UST	NY	203-661-1100	100 W. Putnam Ave. Greenwich, CT 06830	www.ustshareholder.com
BREWERY					
41. Coors	RKY	NY	800-642-6116	310 North 10th St. Golden, CO 80401	www.coors.com



INTRODUCTION

HOW TO ANALYZE A BUSINESS POLICY CASE



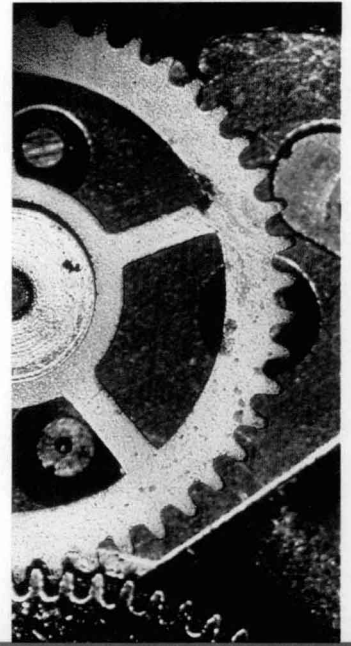
OUTLINE

- 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 drafts. 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 or too costly to obtain, or it 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 a decision. 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.