



STRATEGIC MANAGEMENT

SECOND EDITION

FRED R. DAVID

Second Edition

STRATEGIC MANAGEMENT

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Preface

PERSONAL NOTE TO PROFESSORS

Strategic Management (Second Edition) is designed for both undergraduate and graduate courses in business policy and strategic management. This second edition features updated chapters, an updated Cohesion Case, new Experiential Exercises, new cases, and a new section (Part Five) on Case Analysis; ancillaries include an *Instructor's Manual and Test Bank*, and a set of *Transparency Masters*.

Updated Chapters

The second edition places greater emphasis on business ethics, strategy-culture linkages, strategy-production relationships, behavioral aspects of strategic management, bases for gaining competitive and comparative advantage, international strategy issues, and strategy development in small businesses. There is much less repetition and 40 percent new material. Each chapter now begins with Learning Objectives and Notable Quotes and ends with Key Terms and Concepts and Issues for Review and Discussion. Chapters 7 and 8 on strategy implementation have been totally rewritten and reorganized. The information on computer assisted strategic planning (a separate chapter in the first edition) has now been integrated appropriately into other chapters and updated.

Hundreds of new examples in this edition bring strategic management to life and capture the reader's interest. These examples reflect contemporary strategic-management issues, such as takeover mania, leveraged buyouts, middle manager layoffs, information technology, foreign competition, deconglomeration, globalization of industries, and comparative advantage. This edition combines traditional planning concepts with state-of-the-art developments in strategic management, such as the Quanti-

tative Strategic Planning Matrix (QSPM). An improved, comprehensive model of the strategic-management process now appears in all chapters to guide the reader. An average of twenty suggested readings from 1986–1988 are provided at the end of each chapter.

Updated Cohesion Case

This edition features a 1988 Cohesion Case on Ponderosa, an international chain of steakhouse restaurants. Appearing at the end of Chapter 1, the Cohesion Case allows students to apply strategic-management concepts and techniques to a real organization as chapter material is covered in class. This integrative or “cohesive” approach readies students for case analysis. Ponderosa was recently acquired by Asher Edelman in a hostile takeover, so the updated case is especially timely and current.

New Experiential Exercises

Twelve new Experiential Exercises and nineteen improved Experiential Exercises appear in the second edition, the only business policy textbook that currently offers classroom Experiential Exercises centered around leading problems and issues facing owners of businesses and chief executive officers today. Many of the Experiential Exercises apply chapter material to the Cohesion Case. Students have found these exercises to be pertinent, relevant, interesting, challenging, contemporary, and enjoyable.

Instructor's Manual

An *Instructor's Manual* gives answers to the end of chapter discussion questions and answers to all the Experiential Exercises. It also includes a twenty-page glossary that defines all key terms and concepts in the text and more than one thousand true-false, multiple choice, and essay test questions. The *Instructor's Manual* gives alternative course outlines and extensive case teaching notes for all cases in the book. The teacher's notes feature detailed analyses of each case, classroom discussion questions for each case, an internal and external evaluation of each company, an epilogue for each company, and much more helpful information for each case.

Case Analysis

Part Five offers guidelines on how to analyze a business policy case, how to give an oral presentation, and how to prepare a written case analysis. New suggestions for speaking at an effective rate and finding an appropriate tone, managing body language, speaking from notes, constructing visual aids, and answering questions are given. Part Five also includes a list of fifty special “tips for success” in case analysis.

New Cases

Thirty-five *up-to-date cases*, covering a broad spectrum of organizations and environments, are provided in this text. All but one of the cases, Winston Glass Company,

are undisguised; students can look up real names and real people in the library. New to this edition are twenty-five current cases on such well known firms as Seagram, BankAmerica, Morton Thiokol, Walt-Disney, PaineWebber, and Sears, Roebuck. Ten cases from the first edition, including Winnebago, Playboy Enterprises, The Limited, Bevell's Hardware, and Super 8 Motels, have been updated. The thirty-five cases include twelve small business cases, twenty-one international strategy cases, thirteen cases on manufacturing firms, and twenty-two cases on service firms. The cases, most written exclusively for this text and targeted to reflect current strategic-management problems and practices, are organized clearly by type of industry.

Paperback Editions Available

For those instructors who desire a text containing only concepts or cases, separate paperback editions of the concepts and case sections of this text are available. *Concepts of Strategic Management* (Second Edition) contains all nine chapters of *Strategic Management* (Second Edition), including the Ponderosa Cohesion Case and Experiential Exercises. *Cases in Strategic Management* (Second Edition) includes all 35 cases as well as a separate section on case analysis.

I invite your suggestions, ideas, comments, or questions about any part of this text or the ancillary materials. Merrill Publishing Company and I are dedicated to providing the very best business policy text on the market and we need your input to achieve this goal.

PERSONAL NOTE TO STUDENTS

Welcome to business policy. This is a challenging and exciting course that will allow you to function as the owner of a business or chief executive officer in many different organizations. Strategic decisions determine the direction and competitive position of an enterprise for a long time. Decisions to expand geographically, to diversify, or to acquire a competitor are examples of strategic decisions. Your major task is business policy will be *to make strategic decisions and to justify those decisions through oral and written communication*. You will be called upon in class to demonstrate how your strategic decisions could be successfully implemented.

Strategic decision making occurs in all types and sizes of organizations, from General Motors to a small hardware store. Strategic decisions affect lives and jobs, and even an organization's very survival, so the stakes are high. The primacy of strategic decisions makes this course especially exciting and challenging.

In business policy 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 much more important than doing things right (efficiency)! For example, the Eastman Kodak Company was an efficient producer of 35-millimeter cameras for decades, but ineffective strategies to shift Kodak's emphasis to disk cameras brought disaster in the 1980s. Disk cameras turned out to be Kodak's Edsel and Kodak's profits declined an average of six percent annually from 1983 to 1987.

Many up-to-date examples and exercises are included in this text to arouse your interest in learning about strategic management. Modern strategic-management concepts are presented that will enable you to formulate, implement, and evaluate strategies in all kinds of profit and nonprofit organizations. You will learn how an organization can gain competitive advantages through information technology. You will also learn how to integrate knowledge acquired in previous business courses.

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 best. The rationale for your strategic decisions will be more important than the actual decision, because no one knows with certainty what the “best strategy” is for a particular organization at a particular time. This fact accents the subjective, contingency nature of the strategic-management process. Use the concepts and techniques presented in this text, coupled with your own intuition and knowledge, to recommend strategies that you can defend as being most appropriate for the organizations that you study.

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Finally, I want to thank you, the reader. I hope this book will help you formulate, implement, and evaluate strategies for organizations that you become associated with, and I hope you come to share my enthusiasm for the subject area of strategic management.

Fred R. David
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Contents

PART ONE	□ OVERVIEW OF STRATEGIC MANAGEMENT	1
1	The Strategic-Management Process	2
	What is Strategic Management?	4
	<i>Defining strategic management Integrating intuition and analysis Adapting to change</i>	
	Key Terms in Strategic Management	7
	<i>Strategists Business ethics Mission statements External opportunities and threats Internal strengths and weaknesses Long-term objectives Strategies Annual objectives Policies</i>	
	Stages of Strategic Management	14
	<i>Strategy formulation Strategy implementation Strategy evaluation</i>	
	The Strategic-Management Model	17
	Strategic Management in Small Firms	19
	Strategic Management in Nonprofit and Governmental Organizations	20
	<i>Medical organizations Government agencies and departments</i>	
	Strategic Management in Multinational Corporations	22
	<i>The international challenge Global interdependence The impact of diverse industrial policies</i>	
	Comparing Business and Military Strategy	26
	The Cohesion Case and Experiential Exercises	32

The Cohesion Case: Ponderosa, Inc.—1988	33
Experiential Exercise 1A: Strategy Analysis for Ponderosa	52
Experiential Exercise 1B: Examining Strategy Articles	53
Experiential Exercise 1C: Developing a Code of Business Ethics	54
2 The Nature of Strategic Management	56
The Benefits of Strategic Management	58
<i>Financial benefits Nonfinancial benefits</i>	
Guidelines for Effective Strategic Management	61
Mergers, Acquisitions, Takeovers, and Leveraged Buy-outs	63
<i>Leveraged buyouts</i>	
Generic Strategies	65
Gaining Competitive Advantage	65
Integration Strategies in Action	71
<i>Forward integration Backward integration and Horizontal integration</i>	
Intensive Strategies in Action	73
<i>Market penetration Market development Product development</i>	
Diversification Strategies in Action	76
<i>Concentric diversification Conglomerate diversification Horizontal diversification</i>	
Other Strategies in Action	77
<i>Joint venture Retrenchment Divestiture Liquidation Combination</i>	
Integrating Strategy and Culture	81
Experiential Exercise 2A: Classifying Alternative Strategies for Ponderosa	88
Experiential Exercise 2B: Strategic Management at the Dynamic Computer Company	90
Experiential Exercise 2C: How Risky are Various Alternative Strategies?	92
PART TWO □ STRATEGY FORMULATION	95
3 The Business Mission	96
What is Our Business?	98
The Importance of a Clear Mission	100
The Nature of a Business Mission	100
<i>A declaration of attitude A resolution of divergent views A customer orientation A declaration of social policy</i>	
Components of a Mission Statement	104
Writing and Evaluating Mission Statements	105

Experiential Exercise 3A: Writing a Mission Statement for Ponderosa	115
Experiential Exercise 3B: Evaluating Mission Statements	116
4 The External Assessment	118
Performing an External Audit	120
<i>Information technology</i>	
Key External Forces	122
<i>Economic forces Social, cultural, demographic, and geographic forces Political, governmental and legal forces Technological forces Competitive forces</i>	
Gaining Competitive Advantage	134
Sources of Information	138
<i>Indexes On-line data bases Library publications</i>	
Forecasting Tools and Techniques	146
Industry Analysis: The Competitive Profile Matrix	147
Industry Analysis: The External Factor Evaluation (EFE) Matrix	149
Strategic Concerns of Multinational Firms	151
<i>Globalization of industries</i>	
Japan: Its Culture and Business Environment	
Experiential Exercise 4A: Developing a Competitive Profile Matrix for Ponderosa	160
Experiential Exercise 4B: Developing an EFE Matrix for Ponderosa	161
Experiential Exercise 4C: The Library Search	161
5 The Internal Assessment	164
The Internal Audit	166
Relationships Among the Functional Areas of Business	167
Management	168
<i>Planning Organizing Motivating Staffing Controlling</i>	
Marketing	173
<i>Customer analysis Buying Selling Product and service planning Pricing Distribution Marketing research Opportunity analysis Social responsibility</i>	
Finance/Accounting	177
<i>Finance/accounting functions Basic types of financial ratios</i>	
Production/Operations	181
Research and Development (R & D)	184
<i>Internal and external R & D</i>	
Internal-Audit Checklists	185

Dimensions of Organizational Culture	193
The Internal Factor Evaluation (IFE) Matrix	193
Experiential Exercise 5A: Performing a Financial Ratio Analysis for Ponderosa	200
Experiential Exercise 5B: Constructing an IFE Matrix for Ponderosa	201
 6 Strategy Analysis and Choice	 202
Long-term Objectives	204
<i>The nature of long-term objectives Managing by objectives</i>	
A Comprehensive Strategy-Formulation Framework	207
The Input Stage	207
The Matching Stage	209
<i>The Threats-Opportunities-Weaknesses-Strengths (TOWS) Matrix The Strategic Position and Action Evaluation (SPACE) Matrix The Boston Consulting Group (BCG) Matrix The Internal-External (IE) Matrix The Grand Strategy Matrix</i>	
The Decision Stage	224
<i>The Quantitative Strategic Planning Matrix (QSPM) Positive features and limitations of QSPM</i>	
Cultural Aspects of Strategy Choice	228
The Politics of Strategy Choice	229
The Role of a Board of Directors	231
Experiential Exercise 6A: Developing a TOWS Matrix for Ponderosa	238
Experiential Exercise 6B: Developing a SPACE Matrix for Ponderosa	239
Experiential Exercise 6C: Developing a BCG Matrix for Ponderosa	239
Experiential Exercise 6D: Developing a QSPM for Ponderosa	240
Experiential Exercise 6E: Formulating Individual Strategies	240
Experiential Exercise 6F: The Mach Test	241
 PART THREE □ STRATEGY IMPLEMENTATION	 245
 7 Implementing Strategies—Management Issues	 246
Management Perspectives on Strategy Implementation	248
Annual Objectives	250
Policies	252
Resource Allocation	254
Managing Conflict	255
Matching Structure with Strategy	256

The functional structure | The divisional structure | The strategic business unit (SBU) Structure | The matrix structure

Linking Performance and Pay to Strategies 260

Managing Resistance to Change 261

Creating a Strategy-Supportive Culture 263

Production/Operations Concerns when Implementing Strategies 264

Human Resource Concerns when Implementing Strategies 266

Experiential Exercise 7A: Establishing Policies at Ponderosa 272

Experiential Exercise 7B: Revising Ponderosa's Organizational Chart 273

Experiential Exercise 7C: Matching Managers with Strategy 274

8 Implementing Strategy: Marketing, Finance/Accounting, and Research and Development (R&D) Issues 276

Implementing Strategies Successfully 278

Marketing Issues in Strategy Implementation 278

Market segmentation | Product positioning

Finance/Accounting Issues in Strategy Implementation 284

Acquiring capital to implement strategies | Pro Forma financial statements | Financial budgets | Evaluating the worth of a business

Research and Development (R&D) Issues in Strategy Implementation 291

Experiential Exercise 8A: Developing Product Positioning Maps for Ponderosa 296

Experiential Exercise 8B: Performing EPS-EBIT Analysis for Ponderosa 297

Experiential Exercise 8C: Preparing Pro Forma Financial Statements for Ponderosa 297

Experiential Exercise 8D: Determining the Cash Value of Ponderosa 298

PART FOUR □ STRATEGY EVALUATION 299

9 Strategy Review, Evaluation, and Control 300

The Nature of Strategy Evaluation 302

A Strategy-Evaluation Framework 305

Reviewing bases of strategy | Measuring organizational performance | Taking corrective actions

Published Sources of Strategy Evaluation Information 311

Characteristics of an Effective Evaluation System 313

Contingency Planning 314

Auditing	315
Using Computers to Evaluate Strategies	315
Experiential Exercise 9A: Preparing a Strategy-Evaluation Report	321
Experiential Exercise 9B: Analyzing Ponderosa's Strategy-Evaluation Model	322

PART FIVE □ CASE ANALYSIS **327**

Appendix: How to Analyze a Business Policy Case **328**

What is a Business Policy Case?	330
Guidelines for Preparing Case Analyses	330
<i>The need for practicality The need for justification The need for realism The need for specificity The need for originality The need to contribute</i>	
Preparing a Case for Class Discussion	332
<i>The case method versus lecture approach The cross-examination</i>	
Preparing a Written Case Analysis	333
<i>The executive summary Steps in writing a comprehensive Case Analysis</i>	
Making an Oral Presentation	334
<i>Organizing the presentation Controlling your voice Managing body language Speaking from notes Constructing visual aids Answering questions</i>	
Fifty Tips for Success in Case Analysis	336

PART SIX □ CASES **339**

SERVICE COMPANIES

Financial Institutions

Lomas & Nettleton Financial Corporation—1988 ^{c,d}	341
PaineWebber—1987 ^{c,e}	357
BankAmerica Corporation—1987 ^{c,e}	371
Hanson—1987 ^{c,e}	392

Retail Merchandisers

The Limited, Inc.—1987 ^{c,d}	410
Federated Department Stores, Inc.—1987 ^{c,e}	421
Sears, Roebuck, & Company—1987 ^{c,e}	434

Specialty Retailers

Bevell's True Value Hardware, Inc.—1987 ^{a,d}	452
Dick's Place—1987 ^{a,d}	464
Woodland Video—1987 ^{a,e}	476

Food Retailers

Winn-Dixie—1987 ^e	492
The Kroger Company—1987 ^e	506

Lodging and Travel

Super 8 Motels—1987 ^d	526
✓ Holiday Corporation—1987 ^{c,e}	536
Atlantic Southeast Airlines, Inc.—1987 ^{a,e}	553
Con-Way Central Express—1987 ^e	571

Entertainment

✓ The Audubon Zoo—1987 ^{a,b,e}	597
The Classic Car Club of America—1987 ^{a,b,d}	619
✓ Walt Disney—1987 ^{c,e}	632
Springfield Ballet Company, Inc.—1987 ^{a,b,e}	648

Medical Institutions

East Alabama Medical Center—1987 ^{a,b,e}	666
St. Francis Hospital—1987 ^{a,b,e}	685

MANUFACTURING COMPANIES

Food, Drink, and Glasses

Hershey Foods Corporation—1987 ^{c,e}	703
Seagram Changes Its Image—1987 ^{c,e}	723
Winston Glass Company—1987 ^{a,c,e}	739

Publishing

American Greetings—1988 ^{c,e}	758
✓ Playboy Enterprises, Inc.—1988 ^{c,d}	776

Transportation

- Cessna Aircraft Corporation—1986^d 791
 Winnebago Industries—1987^{c,d} 803
 ✓Chrysler Corporation—1987^{c,d} 820

Electronics

- Software Publishing Company—1987^{a,c,e} 842
 Springfield Remanufacturing Corporation—1987^{a,e} 850
 Morton Thiokol, Inc.—1987^{c,e} 862

Forest Products

- Weyerhaeuser—1987^{c,e} 873
 Stone Container Corporation—1987^{c,e} 897

Subject Index 913

Name Index 921

Company Index 927

^aDenotes a small business organization

^bDenotes a nonprofit organization

^cDenotes an international organization

^dUpdated from first edition of text

^eNew in the second edition of text