

清华MBA核心课程英文版教材

# Strategic Management

Concepts and Cases

Eighth Edition

# 战略管理

概念与案例

(第8版)

Fred R. David

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清华大学出版社

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**(京)新登字 158 号**

Strategic Management: Concepts and Cases, 8th ed./Fred R. David

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Original English Language Edition Published by Prentice Hall, Inc.

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书 名：战略管理：概念与案例（第 8 版）

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出版者：清华大学出版社（北京清华大学学研大厦，邮编 100084）

<http://www.tup.tsinghua.edu.cn>

印刷者：北京四季青印刷厂

发行者：新华书店总店北京发行所

开 本：850 × 1168 1/16 印张：50.75

版 次：2001 年 9 月第 1 版 2001 年 9 月第 1 次印刷

书 号：ISBN 7-302-04777-4/F · 353

印 数：0001 ~ 5000

定 价：69.00 元

# 出 版 说 明

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为了适应经济全球化的发展趋势,满足国内广大读者了解、学习和借鉴国外先进的管理经验和掌握经济理论的前沿动态,清华大学出版社与国外著名出版公司合作影印出版一系列英文版经济管理方面的图书。我们所选择的图书,基本上已是再版多次、在国外深受欢迎、并被广泛采用的优秀教材,绝大部分是该领域中较具权威性的经典之作。在选书的过程中,我们得到了很多专家、学者的支持、帮助和鼓励,在此表示谢意!清华 MBA 核心课程英文版教材由清华大学经济管理学院毛波、刘丽文、朱武祥、朱岩、李东红、李明志、吴志明、钱小军、瞿卫菁等老师审阅,在此一并致谢!

由于原作者所处国家的政治、经济和文化背景等与我国不同,对书中所持观点,敬请广大读者在阅读过程中注意加以分析和鉴别。

我们期望这套影印书的出版对我国经济科学的发展能有所帮助,对我国经济管理专业的教学能有所促进。

欢迎广大读者给我们提出宝贵的意见和建议;同时也欢迎有关的专业人士向我们推荐您所接触到的国外优秀图书。

清华大学出版社第三编辑室  
2001.8

世纪之交,中国与世界的发展呈现最显著的两大趋势——以网络为代表的信息技术的突飞猛进,以及经济全球化的激烈挑战。无论是无远弗界的因特网,还是日益密切的政治、经济、文化等方面的国际合作,都标示着21世纪的中国是一个更加开放的中国,也面临着一个更加开放的世界。

教育,特别是管理教育总是扮演着学习与合作的先行者的角色。改革开放以来,尤其是20世纪90年代之后,为了探寻中国国情与国际上一切优秀的管理教育思想、方法和手段的完美结合,为了更好地培养高层次的“面向国际市场竞争、具备国际经营头脑”的管理者,我国的教育机构与美国、欧洲、澳洲以及亚洲一些国家和地区的大量的著名管理学院和顶尖跨国企业建立了长期密切的合作关系。以清华大学经济管理学院为例,2000年,学院顾问委员会成立,并于10月举行了第一次会议,2001年4月又举行了第二次会议。这个顾问委员会包括了世界上最大的一些跨国公司和中国几家顶尖企业的最高领导人,其阵容之大、层次之高,超过了世界上任何一所商学院。在这样高层次、多样化、重实效的管理教育国际合作中,教师和学生与国外的交流机会大幅度增加,越来越深刻地融入到全球性的教育、文化和思想观念的时代变革中,我们的管理教育工作者和经济管理学习者,更加真切地体验到这个世界正发生着深刻的变化,也更主动地探寻和把握着世界经济发展和跨国企业运作的脉搏。

我国管理教育的发展,闭关锁国、闭门造车是绝对不行的,必须同国际接轨,按照国际一流的水准来要求自己。正如朱镕基总理在清华大学经济管理学院成立十周年时所发的贺信中指出的那样:“建设有中国特色的社会主义,需要一大批掌握市场经济的一般规律,熟悉其运行规则,而又了解中国企业实情的经济管理人才。清华大学经济管理学院就要敢于借鉴、引进世界上一切优秀的经济管理学院的教学内容、方法和手段,结合中国的国情,办成世界第一流的经管学院。”作为达到世界一流的一个重要基础,朱镕基总理多次建议清华的MBA教育要加强英语教学。我体会,这不仅因为英语是当今世界交往中重要的语言工具,是连接中国与世界的重要桥梁和媒介,而且更是中国经济管理人才参与国际竞争,加强国际合作,实现中国企业的国际战略的基石。推动和实行英文教学并不是目的,真正的目的在于培养学生——这些未来的企业家——能够具备同国际竞争对手、合作伙伴沟通和对抗的能力。按照这一要求,清华大学经济管理学院正在不断推动英语教学的步伐,使得英语不仅是一门需要学习的核心

课程，而且渗透到各门专业课程的学习当中。

课堂讲授之外，课前课后的大量英文原版著作、案例的阅读对于提高学生的英文水平也是非常关键的。这不仅是积累相当的专业词汇的重要手段，而且是对学习者思维方式的有效训练。

我们知道，就阅读而言，学习和借鉴国外先进的管理经验和掌握经济理论动态，或是阅读翻译作品，或是阅读原著。前者属于间接阅读，后者属于直接阅读。直接阅读取决于读者的外文阅读能力，有较高外语水平的读者当然喜欢直接阅读原著，这样不仅可以避免因译者的疏忽或水平所限而造成的纰漏，同时也可以尽享原作者思想的真实表达。而对于那些有一定外语基础，但又不能完全独立阅读国外原著的读者来说，外文的阅读能力是需要加强培养和训练的，尤其是专业外语的阅读能力更是如此。如果一个人永远不接触专业外版图书，他在获得国外学术信息方面就永远会比别人差半年甚至一年的时间，他就会在无形中减弱自己的竞争能力。因此，我们认为，有一定外语基础的读者，都应该尝试一下阅读外文原版，只要努力并坚持，就一定能过了这道关，到那时就能体验到直接阅读的妙处了。

在掌握大量术语的同时，我们更看重读者在阅读英文原版著作时对于西方管理者或研究者的思维方式的学习和体会。我认为，原汁原味的世界级大师富有特色的表达方式背后，反映了思维习惯，反映了思想精髓，反映了文化特征，也反映了战略偏好。知己知彼，对于跨文化的管理思想、方法的学习，一定要熟悉这些思想、方法所孕育、成长的文化土壤，这样，有朝一日才能真正“具备国际战略头脑”。

以往，普通读者购买和阅读英文原版还有一个书价的障碍。一本外版书少则几十美元，多则上百美元，一般读者只能望书兴叹。随着全球经济合作步伐的加快，目前在出版行业有了一种新的合作出版的方式，即外文影印版，其价格几乎与国内同类图书持平。这样一来，读者可以不必再为书价发愁。清华大学出版社这些年在这方面一直以独特的优势领先于同行。早在1997年，清华大学出版社敢为人先，在国内最早推出一批优秀商学英文版教材，规模宏大，在企业界和管理教育界引起不小的轰动，更使国内莘莘学子受益良多。

为了配合清华大学经济管理学院推动英文授课的急需，也为了向全国更多的MBA试点院校和更多的经济管理学院的教师和学生提供学习上的支持，清华大学出版社再次隆重推出与世界著名出版集团合作的英文原版影印商学教科书，也使广大工商界人士、经济管理类学生享用到最新最好质优价廉的国际教材。

祝愿我国的管理教育事业在社会各界的大力支持和关心下不断发展、日进日新；祝愿我国的经济建设在不断涌现的大批高层次的面向国际市场竞争、具备国际经营头脑的管理者的勉力经营下早日中兴。

赵纯均 教授

清华大学经济管理学院院长  
全国工商管理硕士教育指导委员会副主任

# PREFACE

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.

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. A wonderful selection of new cases include such companies as eBay, E\*Trade, Amazon.com, Compaq Computer Corporation, First Union Corporation, and Wachovia Corporation. The time basis for all cases included in this edition is to 2000, representing the most up-to-date compilation of cases ever assembled in a business policy text.



## 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 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.

### *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:

### **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 (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.
- The Web site [www.prenhall.com/davidsm](http://www.prenhall.com/davidsm) provides chapter and case updates, an online Study Guide, and support materials.

### Cases: Time-Tested Features

- The 2000 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.
- Almost all cases provide complete financial information about the firm and an organizational chart.
- A split-paperback version including only cases is available.
- A special matrix provided here in preface compares all cases in the text on important criteria such as topics covered, size of firm, complexity of case, etc.



### NEW TO THIS EDITION

In addition to the special time-tested trademarks described above, this edition includes some exciting new features designed to position this text as the clear leader and best choice for teaching business policy and strategic management include:

## Changes in the Cases

- Thirteen brand-new, year 2000 cases focusing on companies in the news appear exclusively for the first time in this text. The cases are:

America Online (AOL)—The New Cohesion Case	Compaq Computer Corporation
E*Trade	Dell Computer Corporation
eBay	Research in Motion
Amazon.com	M. D. Anderson Biomedical Services Department
First Union Corporation	Quorum Health Group
Wachovia Corporation	Reader's Digest Association
Lockheed Martin Corporation	Reebok International

- Twenty-eight fully-updated cases from the last edition are included as follows:

The Limited	Harley-Davidson
Wal-Mart Stores	Winnebago Industries
Target Corporation	Avon Products
Mandalay Resort Group	Revlon
Harrah's Entertainment	UST
The Audubon Institute	Pilgrim's Pride Corporation
Riverbanks Zoological Park and Botanical Garden	H. J. Heinz Company
The Classic Car Club of America	Hershey Foods Corporation
RailTex	The Boeing Company
Greyhound Lines	Apple Computer
Carnival Corporation	Stryker Corporation
Southwest Airlines Co.	Biomet
Central United Methodist Church	Playboy Enterprises
Elkins Lake Baptist Church	Nike

## Specific Chapter Changes

- Chapter 1 titled "The Nature of Strategic Management"—New headings, sub-headings, 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.
- *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.



## MASTERING STRATEGY

*Mastering Strategy* is the first product in the *Mastering Business* series. It offers students an interactive, multimedia experience as they follow the people and issues of Cango, Inc., a small Internet startup. The text, video, and interactive exercises provide students an opportunity to simulate the strategic planning experience and chart the future activities for Cango.

### The Mastering Strategy Environment

Students will learn strategy concepts within the context of Cango, Inc., a fictitious Internet company that focuses its efforts in the entertainment arena of the e-commerce world. The company began by retailing books on the Internet and has branched out to offer CDs, videos, MP3 files, and customized players. Cango employs mostly recent college graduates enthusiastic about working with an online business and its possibilities for expansion. Currently, Cango is experiencing great growth, but little profit.



Thus, Cango employees are always on the lookout for new ventures. The company is considering hosting streaming video, e-books and e-book readers, and partnerships with other firms. One example would be a film studio so that Cango can serve the needs of independent filmmakers and tap into the growing popularity of home video hardware and software.

The company's goals are to get bigger, better, and to someday make a significant profit. In *Mastering Strategy*, the firm transforms from a small, independent company to one listed on the NASDAQ through the IPO process. The firm's founder and the management team must deal with all the implications of this change, both within the company and in the context of the external world of investors, the board of directors, and potential competitors.

## Employees



Liz is Cango's founder. She's a smart, enthusiastic, and driven CEO. She can be intimidating to some employees, but invokes a great deal of admiration from them as well. She received her MBA about five years ago, and holds a BA in Music. She left a traditional company to start Cango when she recognized that the Internet would take off. Liz is recognized in the industry as a pioneer who likes to play a role in every decision. She's a visionary with a very magnetic personality.

Cango currently has a total of thirty-two employees. There are six managers that comprise the senior management team at Cango.

Andrew is a recent marketing graduate and Cango's director of marketing. He is enthusiastic and creative in his work. He's also a fun guy who tends to dress and act in an avant-garde way. Other employees turn to him to lighten things up, or whenever they need a creative shot in the arm. He keeps his eye on what the competition is doing. He loves coming up with cool new ideas, and as far as Cango is concerned, he's always thinking, "What are we going to do tomorrow?"

Warren, the Director of Operations, has a background in economics. He focuses on how supply and demand, pricing, interest rates, and production costs affect Cango's new ventures. Warren has been with Cango since its inception. He is a realist and everyone knows that it is thanks to him that many neat ideas become realities. Warren is a sports buff and frequent sports analogies can be heard coming from him. His goal is to keep the firm on track.

The company's director of personnel is Maria. She has an MBA in human resource management and a BA in psychology. She is a people person who nonetheless has to make many of the hard decisions regarding hiring and firing. Many employees turn to her to discuss personnel issues as well as for advice and feedback. She finds that her role is to always be thinking, "How will this affect our workforce?" whenever new ideas or changes are on the horizon for Cango.

Clark is Cango's VP of finance. He frequently interfaces with actual and potential Cango investors. Whenever new ideas come up, he can be counted on to ask, "Are we making shareholders more money with this idea?" Clark is a married man with strong family values; he is extremely competent in his work. He tends to look at new opportunities with the approach of, "How does this idea add value to the firm?"



Cango's director of accounting is Ethel. She is detail oriented and has a bookkeeper/CPA background. The company depends upon her to always consider the potential costs of all the exciting new ideas that get floated around. She can be counted on to bring up questions that no one else wants to talk about. She spends most of her time dealing with the legalities, with auditing firms, etc. Cango's managers may not always want to hear what she has to say, but they admit—she's usually right.

There are several minor characters as well as many extras. Each employee brings a different set of personal and professional attributes to the young firm. The dynamics between all of these people is what will make Cango either a success or failure. How each copes with various decisions and problems is the basis for the *Mastering Strategy* project.

## Cango's Course of Action

In early episodes, students engage in the crux of strategic planning as they work with Cango to create vision and mission statements, grapple with the issues of social responsibility and engage in the detailed planning of a SWOT analysis. In later episodes, working from competitive and internal environmental analyses, students engage in strategic choice and the implementation issues that arise from selecting among various strategic options.

## Cango's IPO

Embedded in these analytical activities are events at Cango that add further spice to the decision-making process. Competitive environment realities move Cango towards an IPO. This change presents Cango's management team with options for investing capital in different strategic venues, including whether and how to diversify into a new line of business.

The threat of being acquired by a larger industry player appears, as do problems with managing the firm's value chain when demand forecasting is inadequate, and the struggle for the CEO to maintain power in the face of not meeting Wall Street's or the board of director's performance expectations. Embedded in all of these strategic issues are the human factors that are encountered when decisions about tangible and intangible resources, performance measurements, and power relationships are made.



## Episodes Within *Mastering Strategy*

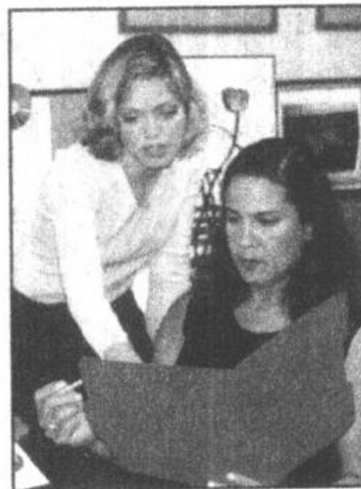
The videos show the management team in action within their offices and on location at the company's warehouse, restaurants, public parks, parking lots and other areas. Here are brief summaries of each of the twelve episodes that comprise the *Mastering Strategy* project.

### *Episode 1: Concept of Strategic Management*

Elizabeth is named Business Leader of the Year and delivers a speech on how she and Cango came to be a success. For the first time in the company's history, she actually examines its development and her thinking along the way. Cango's management team meets to decide if the company should enter the online gaming marketing.

### *Episode 2: Vision and Mission*

Elizabeth struggles with the idea of taking Cango public, realizing that to do so she must have clear vision and mission statements for the company. She puts her ideas about the company on paper and gives her staff the opportunity to voice their own Cango vision.



### *Episode 3: External Environment*

The rumor on the street is that a rival Internet startup is looking to buy Cango. The team views this as a hostile takeover, and they also discuss the possible impact of another threat: government regulation of commercial Internet sites.

*Episode 4: Competitor Analysis*

Cango's management team learns of another large company's plans to buy out the Internet entertainment industry. Cango isn't on the "hit list," but comes out against the action, calling the company a "bureaucratic behemoth." The team makes a list identifying and rating their competitors.

*Episode 5: Internal Analysis*

Cango's board of directors questions Liz's leadership ability after the company stock takes a dive. An outside consultant's report verifies the board's concerns. Liz manages to convince the Board that she can change her leadership style and keeps her current position.

*Episode 6: Strategic Analysis and Choice*

The IPO has raised \$130 million and the management team meets to discuss how to use it. Some want the company to push into new markets, others are more cautious. The resolution is to move into the emerging online gaming market.

*Episode 7: Business Level Strategy in a Single or Dominant-Product Business*

Liz and Andrew discuss the ramifications (including cost leadership, differentiation, and focus) of Cango entering the online gaming arena. An MP3 company offers Cango an exclusive distribution contract and a high commission for space on Cango's Web site.

*Episode 8: Corporate Level Strategy*

Cango's management team discusses how the company can get into online gaming without having to start from scratch. The idea put forth is that Cango form an alliance with a well-known gaming company already on the market. The repercussions of this are debated.

*Episode 9: Strategic Implementation*

Cango has acquired Webjouster, Inc., which specializes in interactive entertainment media. The two cultures clash, impacting employee productivity and satisfaction. Resolutions to this problem are discussed.

*Episode 10: Strategic Control*

Cango's financial data shows the company's performance has been lackluster, and Liz is concerned that this information will create a negative response from the board of directors even though Cango has been successful in other ways.

*Episode 11: Leadership and Governance*

Cango's board of directors decides to "promote" Elizabeth to chair of the board and bring in a more seasoned CEO. In a passionate speech, Liz persuades the board to keep her as CEO. She vows to step back more from the day-to-day operations.

*Episode 12: International Management*

Warren discovers that the majority of Cango's Web sales are within the United States, and the management team decides if they should start targeting international customers. It is determined that no one at Cango has the expertise to tackle the issue of internationalization.

**Summary**

*Mastering Strategy* can be ordered separately or packaged with this or other texts for an additional fee. Contact your local Prentice Hall sales representative for details.

*System Requirements*

The *Mastering Business* CD-ROM takes no space on a PC's hard drive. It runs entirely from the CD-ROM. You will need an Internet browser program (Internet Explorer 4+ or Netscape 4+) and a media player (Windows Media Player or Quicktime Player).

*Using the CD-ROM*

The program itself is very easy to use, but every computer starts CDs differently. Some begin playing CDs as soon as you put them in and close the tray. For others, there may be a desktop icon for you to click. Look on the *Mastering Strategy* CD-ROM for detailed instructions.

**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 AOL Cohesion Case and to your own university.

Use the Strategic Management Club Online Web site at [www.strategyclub.com](http://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 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	Cathleen Folker, University of Nebraska—Lincoln
Leyland M. Lucas, Rutgers University	Jeffrey J. Bailey, University of Idaho
Joshua D. Martin, Temple University	David Dawley, Florida State University
Bob D. Cutler, Cleveland State University	J. Michael Geringer, California State University
Evgeny A. Lapshin, Tomsk State Pedagogical University, Russia	

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