

# STRATEGIC MANAGEMENT

## Concepts and Cases

A COMPETITIVE ADVANTAGE APPROACH

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**Printer/Binder:** Courier/Kendallville  
**Cover Printer:** Lehigh-Phoenix Color / Hagerstown  
**Text Font:** 10/12 Times

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#### **Library of Congress Cataloging-in-Publication Data**

David, Fred R.

Strategic management : concepts and cases : a competitive advantage approach/ Fred R. David and Forest R. David  
Francis Marion University, Florence, South Carolina.—Fifteenth edition.

pages cm

ISBN-13: 978-0-13-344479-7

ISBN-10: 0-13-344479-1

1. Strategic planning. 2. Strategic planning—Case studies. I. David, Forest R. II. Title.

HD30.28.D385 2015

658.4'012—dc23

2013041984

10 9 8 7 6 5 4 3 2 1

**PEARSON**

ISBN 10: 0-13-344479-1

ISBN 13: 978-0-13-344479-7

**FIFTEENTH  
EDITION**

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Delhi Mexico City São Paulo Sydney Hong Kong Seoul Singapore Taipei Tokyo



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### Welcome Forest, and Thank You:

- For joining me as a coauthor on this 15th edition
- For preparing the *Case Instructor's Manual* for this textbook and five previous editions
- For writing 29 new, excellent cases included in this edition, and many cases in prior editions
- For publishing many strategic management papers and articles with me and other authors
- For your wise strategic-management counsel over many years as this textbook has evolved
- For assisting students for many years through the Strategy Club ([www.strategyclub.com](http://www.strategyclub.com)) that now also offers your free Excel Student Template
- For developing an outstanding Case MyLab testing feature for this edition
- For preparing the *Chapter Instructor's Manual* for this edition



# Preface

## Why Adopt This Text?

This textbook is trusted around the world to provide managers the latest skills and concepts needed to effectively formulate and efficiently implement a strategic plan—a game plan, if you will—that can lead to sustainable competitive advantage for any type of business. The Association to Advance Collegiate Schools of Business (AACSB) increasingly advocates a more skills-oriented, practical approach in business books, which the David text provides, rather than a theory-based approach. This textbook meets all AACSB-International guidelines for the strategic-management course at both the graduate and undergraduate levels, and previous editions have been used at more than 500 colleges and universities around the world. We believe you will find this edition to be the best textbook available for communicating both the excitement and value of strategic management. Concise and exceptionally well organized, this text is now published in English, Chinese, Spanish, Thai, German, Japanese, Farsi, Indonesian, Indian, and Arabic. A version in Russian is being negotiated. Not only universities, but also hundreds of companies, organizations, and governmental bodies use this text as a management guide.

In contrast to many other strategic-management textbooks, the David book provides:

1. An effective process for developing a clear strategic plan, rather than simply presenting seminal theories in strategy, and
2. An effective model or flow for actually doing strategic planning.

Eric N. Sims, a professor who in 2013 adopted the David book for his classes at Sonoma State University in California, says:

“I have read many strategy books. I am going to use the David book. What I like—to steal a line from Alabama coach Nick Saban—is your book teaches ‘a process.’ I believe at the end of your book, you can actually help a company do strategic planning. In contrast, the other books teach a number of near and far concepts related to strategy.”

A recent reviewer of this textbook says:

“One thing I admire most about the David text is that it follows the fundamental sequence of strategy formulation, implementation, and evaluation. There is a basic flow from vision/mission to internal/external environmental scanning, to strategy development, selection, implementation, and evaluation. This has been, and continues to be, a hallmark of the David text. Many other strategy texts are more disjointed in their presentation, and thus confusing to the student, especially at the undergraduate level.”

## New Chapter Features

1. The fifteenth edition is 40 percent new and improved from the prior edition.
2. Chapter 11, Global and International Issues, is expanded 30 percent with new coverage of cultural and conceptual strategic-management differences across countries. Doing business globally has become a necessity in most industries. Nearly all strategic decisions today are affected by global issues and concerns.
3. Chapter 10, Business Ethics, Social Responsibility, and Environmental Sustainability, is expanded 30 percent, providing extensive new coverage of ethics, workplace romance, and sustainability. This text emphasizes that “good ethics is good business.” Unique to strategic-management texts, the sustainability discussion is strengthened in this edition to promote and encourage firms to conduct operations in an environmentally sound manner. Respect for the natural environment has become an important concern for consumers, companies, society, and AACSB-International.

4. A brand new Cohesion Case on PepsiCo, Inc. (2013) is provided. PepsiCo is one of the most successful, well-known, and best-managed global companies in the world. Students apply strategy concepts to PepsiCo at the end of each chapter through brand new Assurance of Learning Exercises.
5. Fifty percent new or improved Assurance of Learning Exercises appear at the end of all chapters to apply chapter concepts. The exercises prepare students for strategic-management case analysis.
6. A new boxed insert at the beginning of each chapter showcases a company doing strategic management exceptionally well.
7. There are all new examples in all the chapters.
8. There is new narrative on strategic-management theory and concepts in every chapter.
9. On average, 10 new review questions are provided at the end of each chapter.
10. Twenty-two brand new color photographs bring this new edition to life and illustrate “the practice of strategic management.”
11. All current readings at the end of all chapters are new, as new research and theories of seminal thinkers are included. However, practical aspects of strategic management are center stage and the trademark of this text.
12. For the first time ever, the Excel Student Template is provided free at [www.strategyclub.com](http://www.strategyclub.com) to all students who use this textbook. Widely used for more than a decade by both students and businesses, and improved dramatically just for this edition, the free Excel Student Template enables students to more easily apply strategic-management concepts while engaging in assurance of learning exercises or case analysis. Using the Template, students can devote more time to applying strategy concepts and less time to the mechanics of formatting strategy matrices, tables, and PowerPoints.
13. Every sentence and paragraph has been scrutinized, modified, clarified, deleted, streamlined, updated, and improved to enhance the content and caliber of presentation.

## New Case Features

1. All 29 cases have a 2013 time setting, offering students up-to-date issues to evaluate;
2. All 29 cases are on student-friendly, well-known companies, thus exciting and effective for applying strategy concepts;
3. Ten of the 29 case companies (such as BMW and L’Oréal) are headquartered outside the USA; the only strategy text with such a global offering;
4. All 29 cases are undisguised, featuring real organizations in real industries using real names (nothing is fictitious in any case);
5. All 29 cases feature an organization and industry undergoing strategic change;
6. All 29 cases provide ample, excellent quantitative information, so students can prepare a defensible strategic plan;
7. All 29 cases are written in a lively, concise writing style that captures the reader’s interest;
8. All 29 cases are “comprehensive,” focusing on multiple business functions, rather than a single problem or issue;
9. All 29 cases include current financial statements for the firm, so students can show the impact of a proposed strategic plan;
10. All 29 cases provide an organizational chart and a vision and mission statement—important strategy concepts;
11. All 29 cases are supported by an excellent teacher’s note, provided to professors in a new *Case Instructor’s Manual*;
12. All 29 cases are available for inclusion in a customized tailored text to meet the special needs of some professors;
13. All 29 cases facilitate coverage of all strategy concepts, but as revealed in the new Concepts by Cases Matrix, some cases especially exemplify some concepts, enabling professors to effectively use various cases with various chapters in the text;
14. All 29 cases have been class-tested to ensure that they are interesting, challenging, and effective for illustrating strategy concepts;
15. All 29 cases appear in no other textbooks, thus offering a truly fresh, new, up-to-date, learning platform;



16. The 29 case companies provide an excellent mix of firms performing really well and some performing very poorly, including 13 service-based and 16 manufacturing-based firms, and a good mix of small cap to large cap firms.
17. All 29 case companies have excellent websites in English that provide detailed financial information, history, sustainability statements, ethics statements, and press releases, so students can easily access current information to apply strategy concepts.
18. For the first time ever with this textbook, all 29 cases are written by the authors, to ensure maximum control and effectiveness in applying strategic-management concepts through case analysis.
19. For the first time ever with any strategic-management text, a Case MyLab testing feature has been carefully developed and designed specifically to apply strategic-management concepts through case analysis. The Case MyLab product assures that the cases apply the concepts, simplifies grading for professors, and achieves AACSB's key assurance of learning objectives—even in purely or partly online class settings. The new Case MyLab testing feature enables professors to use the cases to monitor student learning of strategy concepts, as revealed in the Concepts by Cases Matrix given below.

## Time-Tested Features

1. This text meets all AACSB-International guidelines that support a practitioner orientation rather than a theory/research approach. This text offers a skills-oriented process for developing a vision and mission statement; performing an external audit; conducting an internal assessment; and formulating, implementing, and evaluating strategies.
2. The author's writing style is concise, conversational, interesting, logical, lively, and supported by numerous current examples.
3. A simple, integrative strategic-management model appears in all chapters and on the inside front cover. The model is widely used by strategic planning consultants and companies worldwide.
4. An exciting, new Cohesion Case on PepsiCo, Inc. follows Chapter 1 and is revisited at the end of each chapter, allowing students to apply strategic-management concepts and techniques to a real company as chapter material is covered, thus preparing students for case analysis as the course evolves.
5. End-of-chapter Assurance of Learning Exercises apply chapter concepts and techniques in a challenging, meaningful, and enjoyable manner. Seventeen exercises apply text material to the Cohesion Case; 11 exercises apply textual material to a college or university; another 9 exercises send students into the business world to explore important strategy topics.
6. There is excellent pedagogy, including learning objectives opening each chapter and key terms, current readings, discussion questions, and assurance of learning exercises ending each chapter.
7. There is excellent coverage of strategy formulation issues, such as business ethics, global versus domestic operations, vision and mission, matrix analysis, partnering, joint venturing, competitive analysis, value chain analysis, governance, and matrices for assimilating and evaluating information.
8. There is excellent coverage of strategy implementation issues such as corporate culture, organizational structure, outsourcing, marketing concepts, financial analysis, business ethics, whistleblowing, bribery, pay and performance linkages, and workplace romance.
9. A systematic, analytical "process" is presented that includes nine matrices: IFEM, EFEM, CPM, SWOT, BCG, IE, GRAND, SPACE, and QSPM.
10. Both the chapter material and case material is published in four colors.
11. Chapters-only paperback and e-book versions of the text are available.
12. Custom-case publishing is available whereby an instructor can combine chapters from this text with cases from a variety of sources or select any number of the 29 cases provided.
13. For the chapter material, an outstanding ancillary package includes a comprehensive *Instructor's Manual*, Test Bank, TestGen, and Chapter PowerPoints.

## Instructor Supplements

At [www.pearsonhighered.com/irc](http://www.pearsonhighered.com/irc), instructors can access a variety of resources that accompany this new edition. Registration is easy, please contact your Pearson Sales Representative who will provide you with the access information you need.

If you ever need assistance, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit <http://247.pearsoned.com/> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available to adopting instructors:

- *Chapter Instructor's Manual*
- *Case Instructor's Manual*
- **Chapter PowerPoints**
- **Test Bank**
- **TestGen**

## CourseSmart Textbooks Online

CourseSmart eTextbooks were developed for students looking to save the cost on required or recommended textbooks. Students simply select their eText by title or author and purchase immediate access to the content for the duration of the course using any major credit card. With a CourseSmart eText, students can search for specific keywords or page numbers, take notes online, print reading assignments that incorporate lecture notes, and bookmark important passages for later review. For more information or to purchase a CourseSmart eTextbook, visit [www.coursesmart.com](http://www.coursesmart.com).

## Sample of Universities Recently Using This Textbook

Abraham Baldwin Agricultural College	Avila University
Adelphi University	Azusa Pacific University
Akron Institute	Baker College—Flint
Albany State University	Baldwin Wallace College
Albertus Magnus College	Barry University
Albright College	Belhaven University—Jackson
Alcorn State University	Bellevue University
Alvernia University	Belmont Abbey College
Ambassador College	Benedictine University
Amberton University	Black Hills State University
American Intercontinental University—Weston	Bloomsburg University
American International College	Briar Cliff University
American International Continental (AIU) University—Houston	Brooklyn College
American International University	Broward College—Central
American University	Broward College—North
Anderson University	Broward College—South
Angelo State University	Bryant & Stratton—Orchard Park
Aquinas College	Buena Vista University—Storm Lake
Arizona State University—Polytechnic Campus	Caldwell College
Art Institute of California	California Polytechnic State University
Averett University	California State University—Sacramento
	California State University—San Bernadino

- |  |  |
|--|--|
| California University of PA                        | Florida Agricultural & Mechanical University |
| Calumet College                                    | Florida Southern College                     |
| Capella University                                 | Florida State University                     |
| Carlow University                                  | Florida Technical College—Deland             |
| Carson-Newman College                              | Florida Technical College—Kissimmee          |
| Catawba College                                    | Florida Technical College—Orlando            |
| Catholic University of America                     | Fort Valley State College                    |
| Cedar Crest College                                | Francis Marion University                    |
| Central Connecticut State University               | Fresno Pacific University                    |
| Central Michigan University                        | Frostburg State University                   |
| Central New Mexico Community College               | George Fox University                        |
| Central Washington University                      | Georgetown College                           |
| Chatham University                                 | Georgia Southern University                  |
| Chestnut Hill College                              | Georgia Southwestern State University        |
| Chicago State University                           | Hampton University                           |
| Christian Brothers University                      | Harding University                           |
| Claflin University                                 | Harris Stowe State University                |
| Clarion University of Pennsylvania                 | Herzing College—Madison                      |
| Clarkson College                                   | Herzing College—New Orleans                  |
| Clatsop Community College                          | Herzing College—Winter Park                  |
| Cleveland State University                         | Herzing University—Atlanta                   |
| College of William & Mary                          | High Point University                        |
| Colorado State University—Pueblo                   | Highline Community College                   |
| Columbia College                                   | Hofstra University                           |
| Columbia Southern University—Online                | Hood College                                 |
| Concordia University                               | Hope International University                |
| Concordia University Wisconsin                     | Houghton College                             |
| Curry College                                      | Huntingdon College                           |
| Cuyahoga Community College                         | Indiana University Bloomington               |
| Daniel Webster College                             | Indiana Wesleyan CAPS                        |
| Davis & Elkins College                             | Iona College                                 |
| Delaware State University                          | Iowa Lakes Community College—Emmetsburg      |
| Delaware Technology & Community College—Dover      | Jackson Community College                    |
| Delaware Technology & Community College—Wilmington | Jackson State University                     |
| DePaul University—Loop Campus                      | John Brown University                        |
| East Stroudsburg University                        | Johnson & Wales—Charlotte                    |
| Eastern Michigan University                        | Johnson & Wales—Colorado                     |
| Eastern Oregon University                          | Johnson & Wales—Miami                        |
| Eastern Washington University                      | Johnson & Wales—Rhode Island                 |
| ECPI College of Technology—Charleston              | Johnson C. Smith University                  |
| ECPI Computer Institute                            | Kalamazoo College                            |
| Elmhurst College                                   | Kansas State University                      |
| Embry-Riddle Aero University—Prescott              | Keene State College                          |
| Ferrum College                                     | Kellogg Community College                    |

- La Salle University
- Lake Michigan College
- Lebanon Valley College
- Lee University
- Lehman College of CUNY
- Liberty University
- Limestone College—Gaffney
- Lincoln Memorial University
- Loyola College Business Center
- Loyola College—Chennai
- Loyola University—Maryland
- Lyndon State College
- Madonna University
- Manhattan College
- Manhattanville College
- Marian University—Indiana
- Marshall University
- Marshall University Graduate College
- Marymount University—Arlington
- Medgar Evers College
- Medical Careers Institute/Newport News
- Mercer University—Atlanta
- Mercer University—Macon
- Miami-Dade College—Homestead
- Miami-Dade College—Kendal
- Miami-Dade College—North
- Miami-Dade College—Wolfson
- Michigan State University
- Mid-America Christian
- Millersville University
- Mississippi University for Women
- Morgan State University
- Morrison College of Reno
- Mount Marty College—South Dakota
- Mount Mercy University
- Mount Wachusett Community College
- Mt. Hood Community College
- Mt. Vernon Nazarene
- MTI Western Business College
- Muhlenberg College
- Murray State University
- New England College
- New Mexico State University
- New York University
- North Carolina Wesleyan College
- North Central College
- North Central State College
- Northwest Arkansas Community College
- Northwestern College
- Northwood University—Cedar Hill
- Notre Dame of Maryland University
- Nyack College
- Oakland University
- Ohio Dominican University
- Oklahoma Christian University
- Oklahoma State University
- Olivet College
- Oral Roberts University
- Pace University—Pleasantville
- Park University
- Penn State University—Abington
- Penn State University—Hazleton
- Pensacola State College
- Philadelphia University
- Point Park University
- Prince George’s Community College
- Queens College of CUNY
- Richard Stockton University
- Rider University
- Roger Williams University
- Saint Edwards University
- Saint Leo University
- Saint Mary’s College
- Saint Mary’s College—Indiana
- Saint Xavier University
- San Antonio College
- Santa Fe College
- Savannah State University
- Shippensburg University
- Siena Heights University
- Southern Nazarene University
- Southern New Hampshire University
- Southern Oregon University
- Southern University—Baton Rouge
- Southern Wesleyan University
- Southwest Baptist University
- Southwest University
- St. Bonaventure University
- St. Francis University
- St. Louis University
- St. Martins University
- Sterling College

- Stevenson University
- Strayer University—DC
- Texas A&M University—Commerce
- Texas A&M University—Texarkana
- Texas A&M—San Antonio
- Texas Tech University
- The College of St. Rose
- The Masters College
- Tri-County Technical College
- Trinity Christian College
- Troy State University
- Troy University—Dothan
- Troy University—Main Campus
- Troy University—Montgomery
- University Alabama—Birmingham
- University Maryland—College Park
- University of Arkansas—Fayetteville
- University of Findlay
- University of Houston—Clearlake
- University of Louisiana at Monroe
- University of Maine at Augusta
- University of Maine—Fort Kent
- University of Maryland
- University of Massachusetts—Boston Harbor
- University of Massachusetts—Dartmouth
- University of Miami
- University of Michigan—Flint
- University of Minnesota—Crookston
- University of Mobile
- University of Montevallo
- University of Nebraska—Omaha
- University of Nevada Las Vegas
- University of New Orleans
- University of North Texas
- University of North Texas—Dallas
- University of Pikeville
- University of Sioux Falls
- University of South Florida
- University of St. Joseph
- University of Tampa
- University of Texas—Pan American
- University of The Incarnate Word
- University of Toledo
- Upper Iowa University
- Valley City State University
- Virginia Community College System
- Virginia State University
- Virginia Tech
- Wagner College
- Wake Forest University
- Washington University
- Webber International University
- Webster University
- West Chester University
- West Liberty University
- West Valley College
- West Virginia Wesleyan College
- Western Connecticut State University
- Western Kentucky University
- Western Michigan University
- Western Washington University
- William Jewell College
- Williams Baptist College
- Winona State University
- Winston-Salem State University
- WSU Vancouver

## **Sample of Countries Outside the USA Where This Textbook is Very Widely Used**

Mexico, China, Japan, Australia, Singapore, Canada, Indonesia, Pakistan, Iran, Kenya, Congo, Hong Kong, India, England, Argentina, Equador, Zambia, Guam, Italy, Cyprus, Colombia, Philippines, South Africa, Peru, Turkey, Malaysia, and Egypt



# Acknowledgments

Many persons have contributed time, energy, ideas, and suggestions for improving this text over 15 editions. The strength of this text is largely attributed to the collective wisdom, work, and experiences of strategic-management professors, researchers, students, and practitioners. Names of particular individuals whose published research is referenced in this edition are listed alphabetically in the Name Index. To all individuals involved in making this text so popular and successful, we are indebted and thankful.

Many special persons and reviewers contributed valuable material and suggestions for this edition. We would like to thank our colleagues and friends at Auburn University, Mississippi State University, East Carolina University, the University of South Carolina, Campbell University, the University of North Carolina at Pembroke, and Francis Marion University. We have taught strategic management at all these universities. Scores of students and professors at these schools helped shape the development of this text. Many thanks go to the following reviewers whose comments shaped the fourteenth and fifteenth editions:

Moses Acquaaah, University of North Carolina at Greensboro  
Gary L. Arbogast, Glenville State College  
Charles M. Byles, Virginia Commonwealth University  
Charles J. Capps III, Sam Houston State University  
Neil Dworkin, Western Connecticut State University  
Jacalyn M. Florn, University of Toledo  
John Frankenstein, Brooklyn College/City University of New York  
Bill W. Godair, Landmark College, Community College of Vermont  
Carol Jacobson, Purdue University  
Susan M. Jensen, University of Nebraska at Kearney  
Dmitry Khanin, California State University at Fullerton  
Thomas E. Kulik, Washington University at St. Louis  
Jerrold K. Leong, Oklahoma State University  
Trina Lynch-Jackson, Indiana University  
Elouise Mintz, Saint Louis University  
Raza Mir, William Paterson University  
Gerry N. Muuka, Murray State University  
Bramoh Oseghale, Fairleigh Dickinson University  
Lori Radulovich, Baldwin-Wallace College  
Thomas W. Sharkey, University of Toledo  
Frederick J. Slack, Indiana University of Pennsylvania  
Daniel Slater, Union University  
Demetri Tsanacas, Ferrum College  
Jill Lynn Vihtelic, Saint Mary's College  
Michael W. Wakefield, Colorado State University–Pueblo  
Don Wicker, Brazosport College

We want to thank you, the reader, for investing the time and effort to read and study this text. It will help you formulate, implement, and evaluate strategies for any organization with which you become associated. We hope you come to share our enthusiasm for the rich subject area of strategic management and for the systematic learning approach taken in this text. We want

**xxiv** ACKNOWLEDGMENTS

to welcome and invite your suggestions, ideas, thoughts, comments, and questions regarding any part of this text or the ancillary materials. Please contact Dr. Fred R. David at the following e-mail [freddavid9@gmail.com](mailto:freddavid9@gmail.com), or write him at the School of Business, Francis Marion University, Florence, SC 29501. We sincerely appreciate and need your input to continually improve this text in future editions. Your willingness to draw my attention to specific errors or deficiencies in coverage or exposition will especially be appreciated.

Thank you for using this text.

Fred R. David and Forest R. David



## About the Authors

Fred R. and Forest R. David, a father–son team, have published more than 50 journal articles in outlets such as *Academy of Management Review*, *Academy of Management Executive*, *Journal of Applied Psychology*, *Long Range Planning*, *International Journal of Management*, *Journal of Business Strategy*, and *Advanced Management Journal*. Fred and Forest’s February 2011 *Business Horizons* article titled “What are Business Schools Doing for Business Today?” is changing the way many business schools view their curricula.

Fred and Forest are coauthors of *Strategic Management: Concepts and Cases* that has been on a two-year revision cycle since 1986 when the first edition was published. This text is among the best-selling strategic-management textbooks in the world. This text has led the field of strategic management for more than two decades in providing an applications, practitioner-approach to the discipline. More than 500 colleges and universities have used this textbook over the years, including Harvard University, Duke University, Carnegie-Mellon University, Johns Hopkins University, the University of Maryland, University of North Carolina, University of Georgia, San Francisco State University, University of South Carolina, Wake Forest University, and countless universities in Japan, China, Australia, Mexico, and the Middle East. For six editions of this book, Forest has been sole author of the *Case Instructor’s Manual*, having developed extensive teachers’ notes (solutions) for all the cases. Forest is author of the Case MyLab ancillary and the free Excel Student Template that accompany this fifteenth edition.

Fred and Forest actively assist businesses globally in doing strategic planning. They have written and published more than 100 strategic management cases. Fred and Forest were recently keynote speakers at the Pearson International Forum in Monterrey, Mexico. With a PhD in Management from the University of South Carolina, Fred is the TranSouth Professor of Strategic Planning at Francis Marion University (FMU) in Florence, South Carolina. Forest has taught strategic-management courses at Mississippi State University, Campbell University, and FMU.



**Fred R. David**



**Forest R. David**

## The Case Rationale

Case analysis remains the primary learning vehicle used in most strategic-management classes, for five important reasons:

1. Analyzing cases gives students the opportunity to work in teams to evaluate the internal operations and external issues facing various organizations and to craft strategies that can lead these firms to success. Working in teams gives students practical experience solving problems as part of a group. In the business world, important decisions are generally made within groups; strategic-management students learn to deal with overly aggressive group members and also timid, noncontributing group members. This experience is valuable because strategic-management students are near graduation and soon enter the working world full-time.
2. Analyzing cases enables students to improve their oral and written communication skills as well as their analytical and interpersonal skills by proposing and defending particular courses of action for the case companies.
3. Analyzing cases allows students to view a company, its competitors, and its industry concurrently, thus simulating the complex business world. Through case analysis, students learn how to apply concepts, evaluate situations, formulate strategies, and resolve implementation problems.
4. Analyzing cases allows students to apply concepts learned in many business courses. Students gain experience dealing with a wide range of organizational problems that impact all the business functions.
5. Analyzing cases gives students practice in applying concepts, evaluating situations, formulating a “game plan,” and resolving implementation problems in a variety of business and industry settings.

## Case MyLab Testing Feature

New to this edition is an enhanced MyLab with new cases that include gradeable outcomes. As revealed in the new Concepts x Cases matrix below, student learning of 29 key strategic-management concepts can easily be tested by using the 29 fifteenth edition cases. This feature assures that the cases are excellent for testing student learning of the key strategic-management concepts, thus serving as a great mechanism for professors to achieve AACSB’s Assurance of Learning Objectives. This new testing feature simplifies grading for professors in both traditional and online class settings.

The Case MyLab testing feature includes 25 multiple choice questions for each case, comprised of 10 *Basic* questions that simply test whether the student read the case before class, and 15 *Applied* questions that test the student’s ability to apply various strategic-management concepts. In addition, there are 2 *Discussion* questions per case. This testing feature enables professors to determine, before class if desired, whether students 1) read the case in *Basic* terms, and/or 2) are able to *Apply* strategy concepts to resolve issues in the case. For example, the MyLab case *Basic* question may be: In what country is BMW headquartered? Whereas, a MyLab case *Applied* question may be: What are three aspects of the organizational chart given in the BMW case that violate strategic-management guidelines? The Answers to these questions can be found in the *Case Instructor’s Manual*.

## The New Concepts by Cases Matrix

All 29 cases facilitate coverage of all strategy concepts, but as revealed below by purple cells, some cases especially exemplify some key strategy concepts. The purple cells reveal which concepts are tested with multiple choice questions in the MyLab. The Concepts by Cases matrix enables professors to effectively utilize various cases to assure student learning of various chapter concepts. Note from the purple boxes that two, three, or four cases are used to test each strategic-management concept. This new, innovative ancillary promises to elevate the case learning method to new heights in teaching strategic management.

	Key Strategic- Management Concepts	Strategy Model/Process	Vision/Mission Statements	Competitive Profile Matrix	Porter's Five Forces Model	EFE Matrix	Resource Based View	Financial Ratios & Breakeven	Value Chain Analysis	IFE Matrix	Strategy Types	Porter's Five Generic Strategies
<b>Case Number</b>	<b>USA Headquartered</b>											
<b>USA-Based Service Companies</b>												
Case 1	Domino's Pizza, Inc.											
Case 2	Spirit Airlines, Inc.											
Case 3	Buffalo Wild Wings, Inc.											
Case 4	Rite Aid Corp.											
Case 5	Best Buy Co.											
Case 6	Publix Super Markets, Inc.											
Case 7	JPMorgan Chase & Co.											
Case 8	Walt Disney Company											
Case 9	Lowe's Companies, Inc.											
Case 10	United Parcel Service, Inc.											
Case 11	United States Postal Service											
<b>USA-Based Manufacturing Companies</b>												
Case 12	Crocs, Inc.											
Case 13	Snyder's-Lance, Inc.											
Case 14	Netgear, Inc.											
Case 15	Polaris Industries, Inc.											
Case 16	Under Armour, Inc.											
Case 17	Avon Products, Inc.											
Case 18	Exxon Mobil Corporation											
Case 19	Microsoft Corporation											
	<b>Outside-USA Headquartered</b>											
Case 20	The Emirates Group											
Case 21	Royal Bank of Canada											
Case 22	Embraer S.A.											
Case 23	Bayerische Motoren Werke (BMW) Group											
Case 24	Davide Campari-Milano S.p.A.											
Case 25	L'Oréal Group											
Case 26	Nikon Corporation											
Case 27	Grupo Modelo S.A.B.											
Case 28	Pearson PLC											
Case 29	Lenovo Group Limited											



## The Case Synopses

### USA-Based Service Companies

1. **Domino's Pizza, Inc. (DPZ)**  
Headquartered in Ann Arbor, Michigan, Domino's is the second-largest pizza chain in the USA behind Pizza Hut. Domino's has over 9,700 delivery-only stores in about 65 countries and all 50 USA states. Among the 5,000 Domino's in the USA, only about 400 are company-owned, while the others are franchised. Domino's offers a gluten free crust in all its USA restaurants, the first national pizza delivery chain to offer such a product. Domino's has about 10,000 full-time employees.
2. **Spirit Airlines (SAVE)**  
Headquartered in Miramar, Florida, Spirit Airlines is a rapidly growing, low-cost airline that serves many locations in the Bahamas, Caribbean, Latin America, as well as about a dozen USA cities. With an average fleet age of 4.4 years old, Spirit has the third youngest Airbus fleet in the Americas after Virgin America and the Mexican airline Volaris. Spirit has on order 108 Airbus A320s, including 45 A320neo (new engine option) aircraft, to be delivered between 2012 and 2021. Spirit has about 2,600 full-time employees.
3. **Buffalo Wild Wings (BWL D)**  
Headquartered in Minneapolis, Minnesota, Buffalo Wild Wings (BWW) is a casual dining restaurant and sports bar that operates about 835 restaurants in 48 states in the USA and Canada. BWW offers chicken wings and legs with many signature sauces and seasonings as well as bottled beer, wine, and liquor. Only about 320 BWW restaurants are company-owned; the remaining are franchised. BWW plans to acquire other restaurant firms (maybe Denny's or Nathan's Famous) and has about 2,700 full-time employees.
4. **Rite Aid Corporation (RAD)**  
Headquartered in Camp Hill, Pennsylvania, Rite Aid is a distant third (behind CVS and Walgreen) in the USA retail drugstore business. Rite Aid operates 4,700 drugstores in 31 states, fills prescriptions (about two-thirds of sales), and sells health and beauty aids, convenience foods, greeting cards, and 3,000 Rite Aid brand products. About 60% of Rite Aid stores are freestanding; about 50% have drive-through pharmacies. With 51,300 employees, Rite Aid has a strategic alliance with GNC to operate GNC stores within Rite Aid stores.
5. **Best Buy Company (BBY)**  
Headquartered in Richfield, Minnesota, Best Buy is a mass retailer of consumer electronics products and services, including installation, maintenance, and technical support of movies, computers, and phones. With over 1,400 stores in the USA and Canada and another 2,600 stores in Europe and China, Best Buy recently sold Napster to online mp3 store Rhapsody. With 167,000 employees well trained and wearing the trademark blue shirts, Best Buy has a problem in that many customers go to Best Buy, get educated, and then leave and purchase online.
6. **Publix Super Markets, Inc. (Employee Owned)**  
Headquartered in Lakeland, Florida, Publix is the largest ESOP (employee stock ownership plan) in the USA; employees own 31% of Publix. More than two-thirds of all Publix's are in Florida, but some are in Alabama, Georgia, South Carolina, and Tennessee. Publix makes some of its own bakery, deli, dairy goods, and fresh prepared foods. Many Publix's include a pharmacy and bank. Publix has about 140,000 employees, 1,086 supermarkets, cooking schools, 8 distribution centers, and 9 manufacturing facilities.
7. **JPMorgan Chase & Co. (JPM)**  
Headquartered in New York City, JPMorgan Chase is the USA's largest bank holding company with more than \$2 trillion in assets, 5,500 branches in thirty states, and 260,000 employees. JPM is also among the nation's top mortgage lenders and credit card issuers (it holds some \$132 billion in credit card loans). Founded in 1823 and now active in over 60 countries, JPM owns private equity firm One Equity Partners.

**8. Walt Disney Company (DIS)**

Headquartered in Burbank, California, Disney competes in the family entertainment and media broadcasting industry. Serving customers for nearly 100 years, Disney is a diversified conglomerate, owning ABC, ESPN, theme parks, cruise boats, cable networks, and more. As a member of the DOW 30, Disney owns 8 television stations and 35 radio stations, as well as Walt Disney Studios that produces films through Walt Disney Pictures, Disney Animation, and Pixar.

**9. Lowe's Companies, Inc. (LOW)**

Headquartered in Mooresville, North Carolina, Lowe's is a nationwide chain of home improvement superstores that plans to expand internationally. Lowe's has more than 1,745 stores in 50 states and more than 30 locations in Canada and Mexico, second only to Home Depot. With over 160,000 employees that focus on home maintenance, repair, remodeling and decorating, Lowe's is the second largest U.S. home appliance retailer after Sears.

**10. United Parcel Service, Inc. (UPS)**

Headquartered in Atlanta, Georgia, UPS is the world's largest package delivery company transporting more than 15 million packages and documents per business day in the USA and 220 countries and territories. UPS operates a fleet of about 100,000 "brown" trucks, vans, tractors, and motorcycles as well as 525 aircraft. UPS also offers logistics and freight forwarding, and less-than-truckload (LTL) and truckload (TL) freight transportation through UPS Freight. With 222,000 employees, UPS is acquiring TNT Express for \$6.8 billion.

**11. United States Postal Service (nonprofit)**

The United States Postal Service (USPS) is an independent agency of the United States government responsible for delivering mail. With over 574,000 workers and 218,000 vehicles, the USPS operates the largest vehicle fleet in the world. The USPS is legally obligated to serve all Americans, regardless of geography, at uniform price and quality. The USPS competes with UPS and FedEx, but is closing 252 of its 461 mail processing centers, eliminating 28,000 jobs, ending overnight delivery of first-class mail, and closing 3,700 local post offices.

**USA-Based Manufacturing Companies****12. Crocs, Inc. (CROX)**

Headquartered in Niwot, Colorado, Crocs is a footwear company that offers colorful slip-on, casual and athletic shoes made of closed-cell resin (Croslite); Jibbitz are Crocs' decorative add-on charms. Crocs designs, develops, manufactures, markets, and distributes boots, sandals, sneakers, mules, and flats in more than 90 countries. With manufacturing facilities in Mexico, Italy, and China and distribution centers worldwide, Crocs has 4,150 employees. Crocs, Inc. owns 180 retail stores, 92 outlet stores, 42 Web stores, and 158 kiosks in malls worldwide.

**13. Snyder's-Lance, Inc. (LNCE)**

Headquartered in Charlotte, North Carolina, Snyder's-Lance manufactures and markets snack foods such as Toastchee, Nipchee, and Captain's Wafers. Snyder's-Lance products include pretzels, cookies, crackers, nuts, potato chips, cakes, and candy sold under the Lance, Cape Cod, Tom's, Archway, and Snyder's brands at food retailers, mass merchants, and convenience and club stores in the USA. Snyder's-Lance primarily does business in the USA and has 6,100 employees.

**14. Netgear (NTGR)**

Headquartered in San Jose, California, Netgear designs and produces Internet networking equipment, such as adapters, hubs, routers, Ethernet switches, wireless controllers, media servers, and interfaces. NETGEAR sells products through distributors such as Ingram Micro and Tech Data, retailers such as Best Buy and RadioShack, as well as through 29,000 retail locations around the globe and 36,000 value-added resellers. With offices in 25 countries and 810 employees, Netgear generates about half of its revenue from outside the USA.

15. **Polaris Industries, Inc. (PII)**  
 Headquartered in Medina, Minnesota, Polaris designs, manufactures, and markets off-road, all-terrain vehicles (ATVs), recreational and utility RANGER-brand vehicles, snowmobiles, and even the Victory brand motorcycle. Polaris also produces and sells replacement parts and accessories such as covers, tow hitches, cargo racks, saddlebags, helmets, and also recreational apparel such as jackets, bibs, pants, and hats. With 3,900 employees and 30% of its revenue derived from outside the USA, Polaris partners with Fuji Heavy Industries to build engines.
16. **Under Armour, Inc. (UA)**  
 Headquartered in Baltimore, Maryland, Under Armour (UA) is a producer and marketer of compression, fitted, and loose sports apparel, including athletic footwear; UA is the official footwear supplier of Major League Baseball. UA dresses athletes from head (COLDGEAR) to toe (Team Sock) with products are made from the company's patented moisture wicking and heat-dispersing fabrics that keeps athletes dry during workouts. With 1,800 employees, UA sells its products online, by catalog, in company-owned and sporting goods stores, worldwide.
17. **Avon Products (AVP)**  
 Headquartered in New York City, Avon Products is the world's largest direct seller firm, and by far the largest direct seller of cosmetics and beauty-related items. Avon is the fifth-largest cosmetics and fragrance firm in the world. The company receives sales from catalogs and online, but the vast majority of its sales come from about six million independent sales representatives in 110 countries. Since 1892, Avon has empowered women to be their own boss and become leaders in communities and business. Avon is struggling to recover from poor management and global bribery investigations.
18. **Exxon Mobil Corporation (XOM)**  
 Headquartered in Irving, Texas, Exxon Mobil is the world's largest oil company and engages in oil and gas exploration, production, supply, transportation, and marketing worldwide. With 24.9 billion barrels of proven oil reserves, Exxon's 36 refineries in 20 countries have a capacity of more than 6.2 million barrels per day. Exxon supplies refined products to more than 25,000 gas stations in 100 countries. With operations on all continents except Antarctica, Exxon has 82,000 employees and operates over 30,000 oil wells around the world.
19. **Microsoft Corporation (MSFT)**  
 Headquartered in Redmond, Washington, Microsoft is the world's largest software firm with its core product being the Windows PC operating system and Office business productivity application suite sold in part through PC makers. Selling online and through resellers, Microsoft also designs and manufactures video game consoles (Xbox 360), enterprise applications (Microsoft Dynamics), server and storage software, and digital music players (Zune). With 90,000 employees, Microsoft also engages in online advertising and consulting services.

**Outside USA-Based**

- | <b>Service Firms</b>  | <b>Country HQ</b> |
|---|-------------------|
| 20. <b>The Emirates Group</b>   | UAE               |
| Headquartered in Dubai in the United Arab Emirates, The Emirates Group is the parent of Emirates, the largest airline in the Middle East, operating over 2,500 flights per week from its hub at Dubai International Airport. Emirates flies to 120 cities in 70 countries and operates four of the world's 10 longest non-stop commercial flights. With 50,000 employees and 50 subsidiaries, The Emirates Group is wholly owned by the government of Dubai and controlled by the Investment Corp. of Dubai. Emirates is very profitable and growing over 20% annually. |                   |
| 21. <b>Royal Bank of Canada</b>   | Canada            |
| Headquartered in Toronto, Canada, Royal Bank of Canada (RBC) is Canada's largest bank. RBC provides a full range of services from commercial banking and wealth management  |                   |



to insurance and capital markets services. With more than 1,000 locations in Canada and operations in more than 50 countries, RBC sold its RBC Bank unit in the Southeast USA to PNC Financial in 2012, but still owns investment bank RBC Dominion Securities and RBC Wealth Management in the USA. Founded in 1864, RBC has about 68,000 full-time employees.

### Manufacturing Firms

22. Embraer S.A. Brazil  
 Headquartered in Sao Paulo, Brazil, Embraer is one of the world's top four aircraft manufacturers, making commercial jets (55%) that seat between 30–120 passengers, 7 models of executive jets (20%), and military aircraft (12%). About 40% of its Embraer sales are in North and South America. With 17,200 employees, Embraer is Brazil's largest exporter of industrial products. Embraer's CEO, Frederico Curado, received the 2012 Tony Jannus Award, given annually for distinguished contributions to commercial aviation.
23. Bayerische Motoren Werke (BMW) AG Germany  
 Headquartered in Munich, Bavaria, Germany, BMW is a large automobile, motorcycle and engine manufacturing company founded in 1917. BMW is the parent company of Rolls-Royce Motor Cars. With about 100,000 employees, BMW produces motorcycles under the Motorrad and Husqvarna brands and is the sponsor of the 2012 Olympics in London. Financial services bolster BMW's bottom line, including purchase financing and leasing, asset management, dealer financing, and corporate fleets. About 3,000 dealers worldwide sell BMWs.
24. Campari Group S.p.A Italy  
 Headquartered in Milan, Italy, Gruppo Campari is the sixth largest producer of alcoholic and non-alcoholic beverages worldwide. Campari owns a portfolio of over 40 brands, including Wild Turkey bourbon. Campari markets and distributes drinks in more than 190 countries. With 2,270 employees, Campari is structured into three segments: spirits, wines, and soft drinks. The Garavoglia family owns 51% of Campari, which is expanding through acquisitions (it owns U.S. vodka maker Skyy Spirits) and by entering growing markets in Asia and South America.
25. L'Oréal Group France  
 Headquartered outside of Paris in Clichy, Hauts-de-Seine, France, L'Oréal is the world's largest cosmetics and beauty company. Specializing in hair color, skin care, sun protection, make-up, perfumes, and hair care, L'Oréal is the leading nanotechnology patent-holder in the USA. L'Oréal recently opened a huge new factory in Indonesia. L'Oréal is a listed company with 66,000 employees, but the founder's daughter Liliane Bettencourt and the Swiss food company Nestle each control over a quarter of the shares and voting rights.
26. Nikon Corporation Japan  
 Headquartered in Tokyo, Japan, Nikon develops, produces, and markets cameras, binoculars, microscopes, measurement instruments, imaging lenses, photographic enlargers, and other imaging products such as Nikonos underwater film cameras. Nikon competes with Canon, Casio, Kodak, Sony, Pentax, Panasonic, Fujifilm, and Olympus. With 24,000 employees and founded in 1917, Nikon is part of the huge Mitsubishi *keiretsu*, a group of businesses linked by cross-ownership.
27. Grupo Modelo, S.A.B. de C.V. Mexico  
 Headquartered in Mexico, Mexico, Grupo Modelo is among the largest beer producing, distributing, and marketing firms in the world. Some of Modelo's 13 beer brands include Corona Extra, the number one Mexican beer sold in the world, Barrilito, Victoria, Estrella, Medelo, and Pacifico. With 37,300 employees, Modelo also produces bottled water and operates 960 convenience stores under the Extra name. With more than a 60% share of the Mexican beer market and operating 8 breweries, Modelo was recently acquired by Anheuser-Busch InBev.

28. Pearson plc England  
Headquartered in London, England, Pearson is the largest education company and the largest book publisher in the world. Pearson publishes market-leading books and newspapers in education (Prentice Hall, Longman & FT Press), consumer markets (Penguin, Dorling Kindersley, and Ladybird), and business information (*Financial Times*). With about 40,000 employees, Pearson has two operating divisions: 1) Pearson Education, and 2) The Financial Times Group. Pearson's major competitor is McGraw-Hill.
29. Lenovo Group Limited China  
Headquartered in Beijing, China, Lenovo designs, produces, and markets personal computers, workstations, servers, electronic storage, IT management software, and other related products and services. The world's second-largest PC vendor (behind HP), Lenovo markets the ThinkPad line of notebook computers and ThinkCentre line of desktops. With 26,300 employees, Lenovo sells directly to consumers and businesses, as well as through online sales, company-owned stores, chain retailers, and major technology distributors and vendors.

# STRATEGIC MANAGEMENT

## Concepts and Cases

A COMPETITIVE ADVANTAGE APPROACH