

# STRATEGIC MANAGEMENT Concepts and Cases

**A COMPETITIVE ADVANTAGE APPROACH**



**EIGHTEENTH  
EDITION**

# STRATEGIC MANAGEMENT

## Concepts and Cases

**A COMPETITIVE ADVANTAGE APPROACH**

**Fred R. David**

Francis Marion University  
Florence, South Carolina

**Forest R. David**

University of Debrecen  
Debrecen, Hungary

**Meredith E. David**

Baylor University  
Waco, Texas



Please contact <https://support.pearson.com/getsupport/s/contactsupport> with any queries on this content

Microsoft and/or its respective suppliers make no representations about the suitability of the information contained in the documents and related graphics published as part of the services for any purpose. All such documents and related graphics are provided “as is” without warranty of any kind. Microsoft and/or its respective suppliers hereby disclaim all warranties and conditions with regard to this information, including all warranties and conditions of merchantability, whether express, implied or statutory, fitness for a particular purpose, title and non-infringement. In no event shall Microsoft and/or its respective suppliers be liable for any special, indirect or consequential damages or any damages whatsoever resulting from loss of use, data or profits, whether in an action of contract, negligence or other tortious action, arising out of or in connection with the use or performance of information available from the services.

The documents and related graphics contained herein could include technical inaccuracies or typographical errors. Changes are periodically added to the information herein. Microsoft and/or its respective suppliers may make improvements and/or changes in the product(s) and/or the program(s) described herein at any time. Partial screen shots may be viewed in full within the software version specified.

Microsoft® and Windows® are registered trademarks of the Microsoft Corporation in the U.S.A. and other countries. This book is not sponsored or endorsed by or affiliated with the Microsoft Corporation.

---

**Copyright © 2024, 2020, 2017 by Pearson Education, Inc. or its affiliates, 221 River Street, Hoboken, NJ 07030. All Rights Reserved.** Manufactured in the United States of America. This publication is protected by copyright, and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise. For information regarding permissions, request forms, and the appropriate contacts within the Pearson Education Global Rights and Permissions department, please visit [www.pearsoned.com/permissions/](http://www.pearsoned.com/permissions/).

Acknowledgments of third-party content appear on the appropriate page within the text, which constitutes an extension of this copyright page.

PEARSON is exclusive trademark owned by Pearson Education, Inc. or its affiliates in the U.S. and/or other countries.

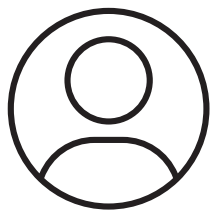
Unless otherwise indicated herein, any third-party trademarks, logos, or icons that may appear in this work are the property of their respective owners, and any references to third-party trademarks, logos, icons, or other trade dress are for demonstrative or descriptive purposes only. Such references are not intended to imply any sponsorship, endorsement, authorization, or promotion of Pearson’s products by the owners of such marks, or any relationship between the owner and Pearson Education, Inc., or its affiliates, authors, licensees, or distributors.

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

ScoutAutomatedPrintCode



ISBN-10: 0-13-789766-9  
ISBN-13: 978-0-13-789766-7



# Pearson's Commitment to Diversity, Equity, and Inclusion

**Pearson is dedicated to creating bias-free content that reflects the diversity, depth, and breadth of all learners' lived experiences.**

We embrace the many dimensions of diversity, including but not limited to race, ethnicity, gender, sex, sexual orientation, socioeconomic status, ability, age, and religious or political beliefs.

Education is a powerful force for equity and change in our world. It has the potential to deliver opportunities that improve lives and enable economic mobility. As we work with authors to create content for every product and service, we acknowledge our responsibility to demonstrate inclusivity and incorporate diverse scholarship so that everyone can achieve their potential through learning. As the world's leading learning company, we have a duty to help drive change and live up to our purpose to help more people create a better life for themselves and to create a better world.

## **Our ambition is to purposefully contribute to a world where:**

- Everyone has an equitable and lifelong opportunity to succeed through learning.
- Our educational content accurately reflects the histories and lived experiences of the learners we serve.
- Our educational products and services are inclusive and represent the rich diversity of learners.
- Our educational content prompts deeper discussions with students and motivates them to expand their own learning (and worldview).

## **Accessibility**

We are also committed to providing products that are fully accessible to all learners. As per Pearson's guidelines for accessible educational Web media, we test and retest the capabilities of our products against the highest standards for every release, following the WCAG guidelines in developing new products for copyright year 2022 and beyond.



You can learn more about Pearson's commitment to accessibility at <https://www.pearson.com/us/accessibility.html>



**Pearson**

## **Contact Us**

While we work hard to present unbiased, fully accessible content, we want to hear from you about any concerns or needs with this Pearson product so that we can investigate and address them.



Please contact us with concerns about any potential bias at <https://www.pearson.com/report-bias.html>



For accessibility-related issues, such as using assistive technology with Pearson products, alternative text requests, or accessibility documentation, email the Pearson Disability Support team at [disability.support@pearson.com](mailto:disability.support@pearson.com)



# Brief Contents

*Preface* xvii

*Acknowledgments* xxv

*About the Authors* xxvii

## **PART 1 Overview of Strategic Management 2**

- Chapter 1** The Nature of Strategic Management 3  
THE COHESION CASE: MCDONALD'S CORPORATION, 2022 26

## **PART 2 Strategy Formulation 42**

- Chapter 2** Business Vision and Mission 43  
**Chapter 3** The External Assessment 65  
**Chapter 4** The Internal Assessment 97  
**Chapter 5** Strategies in Action 131  
**Chapter 6** Strategy Analysis and Choice 167

## **PART 3 Strategy Implementation 204**

- Chapter 7** Implementing Strategies: Management and Marketing Issues 205  
**Chapter 8** Implementing Strategies: Finance and Accounting Issues 243

## **PART 4 Strategy Evaluation and Governance 272**

- Chapter 9** Strategy Evaluation and Governance 273

## **PART 5 Key Strategic Management Topics 300**

- Chapter 10** Business Ethics, Environmental Sustainability, and Corporate Social Responsibility 301  
**Chapter 11** Global and International Issues 325

## **PART 6 Strategic-Management Case Analysis 350**

- How to Prepare and Present a Case Analysis 351

*Glossary* 604

*Name Index* 613

*Subject Index* 619





# Contents

*Preface* xvii

*Acknowledgments* xxv

*About the Authors* xxvii

## PART 1 Overview of Strategic Management 2

### Chapter 1 The Nature of Strategic Management 3

What Is Strategic Management? 4

**EXEMPLARY STRATEGIST SHOWCASED: ANDREW CATHY, CEO OF CHICK-FIL-A 4**

Strategic Planning 5 • The Strategic Management Model 6

**ETHICS CAPSULE 1: DON'T JUST TALK THE TALK, WALK THE WALK, ON EMISSIONS 7**

Stages of Strategic Management 7

Integrating Analysis and Intuition 9

Adapting to Change 9

**GLOBAL CAPSULE 1: COMPANIES EXITING CHINA AMID TIGHTENING SECURITY MEASURES 10**

Key Terms in Strategic Management 10

Competitive Advantage 10 • Strategists 10 • Vision and Mission Statements 11 • External Opportunities and Threats 12 • Internal Strengths and Weaknesses 12 • Long-Term Objectives 13 • Strategies 13 • SWOT Analysis 13 • Annual Objectives 13 • Policies 14

Benefits of Engaging in Strategic Management 14

Financial Benefits 15 • Nonfinancial Benefits 16

Why Some Firms Do No Strategic Planning 16

Pitfalls in Strategic Planning 16

Comparing Business and Military Strategies 17

Developing Employability Skills 19

**IMPLICATIONS FOR STRATEGISTS 20**

**IMPLICATIONS FOR STUDENTS 20**

Chapter Summary 21

*Key Terms and Concepts* 21

*Issues for Review and Discussion* 22

*Writing Assignments* 23

**MINI-CASE: FORD VERSUS GENERAL MOTORS: THE RACE TO BECOME ALL-ELECTRIC 23**

*Web Resources* 24

*Current Readings* 24

*Endnotes* 25

**THE COHESION CASE: MCDONALD'S CORPORATION, 2022 26**

**ASSURANCE-OF-LEARNING EXERCISES 37**

Set 1: Strategic Planning for McDonald's Corporation 37

Exercise 1A: Gather Strategy Information for McDonald's Corporation 37

Exercise 1B: Enter McDonald's Vitals into the Strategic Planning Template 38

Set 2: Strategic Planning for My University 38

Exercise 1C: Perform SWOT Analysis for My University 38

Set 3: Strategic Planning to Enhance My Employability 39

Exercise 1D: Perform SWOT Analysis on Myself 39

Set 4: Individual Versus Group Strategic Planning 40

Exercise 1E: How Detrimental Are Various Pitfalls in Strategic Planning? 40

## PART 2 Strategy Formulation 42

### Chapter 2 Business Vision and Mission 43

Core Values Statements: What Is Our Foundation? 44

**EXEMPLARY STRATEGIST SHOWCASED: PATTI POPPE, CEO OF PACIFIC GAS & ELECTRIC 44**

**GLOBAL CAPSULE 2: LINKEDIN: CLEAR CORE VALUES, VISION, AND MISSION LEAD TO GLOBAL PROMINENCE 45**

Vision Statements: What Do We Want to Become? 45

Characteristics of a Vision Statement 46

Vision Statement Analysis 47

Mission Statements: What Is Our Business? 47

Characteristics of a Mission Statement 48

Components of a Mission Statement 49

**ETHICS CAPSULE 2: WHAT ETHICS VARIABLE IS MOST IMPORTANT IN DOING BUSINESS? 51**

The Importance (Benefits) of Vision and Mission Statements 51

The Process of Developing Vision and Mission Statements 53

Evaluating and Writing Vision and Mission Statements 53

Nestlé S.A. 53 • Adidas AG 54 • Emirates Group 54

**IMPLICATIONS FOR STRATEGISTS 55**

**IMPLICATIONS FOR STUDENTS 56**

Chapter Summary 56

*Key Terms and Concepts* 56

*Issues for Review and Discussion* 57

*Writing Assignments* 57

**ASSURANCE-OF-LEARNING EXERCISES 58**

Set 1: Strategic Planning for McDonald's 58

Exercise 2A: Develop an Improved McDonald's Vision Statement 58

Exercise 2B: Develop an Improved McDonald's Mission Statement 58

Exercise 2C: Compare McDonald's Mission Statement to a Rival Firm's 58

Set 2: Strategic Planning for My University 59

Exercise 2D: Compare Your University's Vision and Mission Statements to Those of a Rival Institution 59

Set 3: Strategic Planning for Myself 59

Exercise 2E: Develop a Vision and Mission Statement for Yourself 59

Set 4: Individual Versus Group Strategic Planning 60

Exercise 2F: What Is the Relative Importance of Each of the Nine Components of a Mission Statement? 60

**MINI-CASE ON JETBLUE AIRWAYS: DOES JETBLUE HAVE THE BEST MISSION STATEMENT? 61**

*Web Resources 61*

*Current Readings 62*

*Endnotes 62*

**Chapter 3 The External Assessment 65**

**EXEMPLARY STRATEGIST SHOWCASED: ANDRADA AND ZALOTRAWALA LEAD THE WAY AT CHIPOTLE 66**

**The External Assessment Phase of Strategy Formulation 67**

Key External Forces 67 • The Actionable-Quantitative-Comparative-Divisional (AQCD) Test 68

**PESTEL External Forces that Impact Organizations 68**

Political Forces 68

**GLOBAL CAPSULE 3: WHAT IS THE FASTEST GROWING CITY AND COUNTRY? PERHAPS DUBAI AND THE UAE 69**

Economic Forces 70 • Sociocultural Forces 70

• Technological Forces 71 • Environmental Forces 72

**ETHICS CAPSULE 3: CO<sub>2</sub> EMISSIONS VARY SUBSTANTIALLY ACROSS COUNTRIES 73**

Legal Forces 73

**Competitive Analysis and Porter's Five-Forces Model 73**

Competitive Analysis 73 • Five-Forces Model 74

**Key Sources of Information for an External Audit 78**

**Forecasting and Making Assumptions 78**

Making Assumptions 79

**The External Factor Evaluation Matrix 80**

Steps to Develop an EFE Matrix 80 • An Example EFE Matrix 82

**The Competitive Profile Matrix 83**

**IMPLICATIONS FOR STRATEGISTS 85**

**IMPLICATIONS FOR STUDENTS 86**

**Chapter Summary 86**

*Key Terms and Concepts 87*

*Issues for Review and Discussion 87*

*Writing Assignments 88*

**ASSURANCE-OF-LEARNING EXERCISES 88**

Set 1: Strategic Planning for McDonald's 88

Exercise 3A: Develop an EFE Matrix for McDonald's 88

Exercise 3B: Develop a Competitive Profile Matrix for McDonald's 89

Set 2: Strategic Planning For My University 89

Exercise 3C: Develop an EFE Matrix for Your College or University 89

Exercise 3D: Develop a Competitive Profile Matrix for Your College or University 89

Set 3: Strategic Planning to Enhance My Employability 90

Exercise 3E: How Competitive Is Your State Among All States for Finding a Job? 90

Exercise 3F: Compare and Contrast CareerBuilder, Glassdoor, Monster Jobs, and ZipRecruiter 90

Exercise 3G: A Template Competency Test 90

Set 4: Individual Versus Group Strategic Planning 91

Exercise 3H: What External Forces Are Most Important in Strategic Planning? 91

**MINI-CASE ON WASHINGTON POST: WASHINGTON POST NEEDS A STRATEGY TO DEAL WITH ITS SHARP DECLINE IN ONLINE READERSHIP 92**

*Web Resources 93*

*Current Readings 93*

*Endnotes 94*

**Chapter 4 The Internal Assessment 97**

**The Internal Assessment Phase of Strategy Formulation 98**

**EXEMPLARY STRATEGIST SHOWCASED: ADENA FRIEDMAN, CEO OF NASDAQ, INC. 98**

Resource-Based View 99 • Key Internal Forces 99

**Management 100**

Planning 100 • Organizing 100

**GLOBAL CAPSULE 4: SAMSUNG IS REORGANIZING TO DEVELOP AN "APPLE" ECOSYSTEM 101**

Motivating 101 • Controlling 102 • Integrating Strategy and Culture 103 • Management Audit Checklist of Questions 104

**Marketing 105**

Marketing Research and Target Market Analysis 105 • Product

Planning 106 • Pricing 107 • Promotion 107

• Channels of Distribution 107 • Marketing Audit Checklist of Questions 108

**Finance and Accounting 108**

Finance and Accounting 109 • Financial Ratios 109

• Finance and Accounting Audit Checklist 113

**Management Information Systems 113**

Business Analytics 113

**ETHICS CAPSULE 4: UNETHICAL HACKING FOR PROFIT INCREASING FAST 114**

**The Internal Factor Evaluation (IFE) Matrix 114**

The Actionable-Quantitative-Comparative-Divisional (AQCD)

Test 115 • Steps in Developing an IFE Matrix 115 • Step 1:

Develop a Full and Narrow List of Key Internal Factors 116 • Step 2:

Assign Weights to Key Internal Factors 116 • Step 3: Assign

Ratings to Key Internal Factors 117 • Step 4: Obtain Weighted

Scores 117 • Step 5: Obtain Total Weighted Score 117

• An Example IFE Matrix 117

**IMPLICATIONS FOR STRATEGISTS 119**

**IMPLICATIONS FOR STUDENTS 121**

**Chapter Summary 122**

*Key Terms and Concepts 122*

*Issues for Review and Discussion 123*

*Writing Assignments 124*

**ASSURANCE-OF-LEARNING EXERCISES 124**

Set 1: Strategic Planning for McDonald's 124

Exercise 4A: Perform a Financial Ratio Analysis for McDonald's 124

Exercise 4B: Construct an IFE Matrix for McDonald's 124

Set 2: Strategic Planning for My University 125

Exercise 4C: Construct an IFE Matrix for Your College or University 125

Set 3: Strategic Planning for Myself 125

Exercise 4D: Construct an IFE Matrix for Yourself 125

Set 4: Individual Versus Group Strategic Planning 125

Exercise 4E: What Internal Functional Areas Are Most Important to Examine in Strategic Planning? 125

**MINI-CASE ON A SCHOOL OF BUSINESS: HOW IMPORTANT ARE UNCOMMON RATIOS FOR A SCHOOL OF BUSINESS' SUCCESS? 127**

*Web Resources 127*

*Current Readings 127*

*Endnotes 128*

## Chapter 5 Strategies in Action 131

### Long-Term Objectives 132

**EXEMPLARY STRATEGISTS SHOWCASED: TIM COOK AND JEFF GENNETTE, CEO OF APPLE INC. AND MACY'S, INC. RESPECTIVELY 132**

Characteristics and Benefits of Objectives 133 • Financial Versus Strategic Objectives 133 • Avoid Managing by Crisis, Hope, Extrapolation, and Mystery (CHEM) 134

### Types of Strategies 134

Levels of Strategies 135

### Integration Strategies 136

Forward Integration 136 • Backward Integration 137  
• Horizontal Integration 138

### Intensive Strategies 139

Market Penetration 139 • Market Development 140

**GLOBAL CAPSULE 5: NUMEROUS COUNTRIES DOWNSIZING THEIR FOREIGN WORKFORCE, RELYING ON NATIVE RESIDENTS. 141**

Product Development 141

### Diversification Strategies 142

Related Diversification 143 • Unrelated Diversification 143

### Defensive Strategies 144

Retrenchment 144 • Divestiture 145 • Liquidation 146

### Value Chain Analysis and Benchmarking 146

Benchmarking 148

### Michael Porter's Two Generic Strategies 149

Cost Leadership 149 • Differentiation 150

### Means for Achieving Strategies 151

Build from Within to Grow 151

**ETHICS CAPSULE 5: ASK HOBBY LOBBY IS GOOD ETHICS GOOD BUSINESS? 152**

Borrow from Others to Grow 152 • Buy Others to Grow 154

### First-Mover Advantages 155

### Strategic Management in Nonprofit and Small Firms 155

Educational Institutions 156 • Governmental Agencies and Departments 156 • Small Firms 156

**IMPLICATIONS FOR STRATEGISTS 157**

**IMPLICATIONS FOR STUDENTS 158**

### Chapter Summary 158

*Key Terms and Concepts 159*

*Issues for Review and Discussion 159*

*Writing Assignment 160*

### **ASSURANCE-OF-LEARNING EXERCISES 160**

Set 1: Strategic Planning for McDonald's 160

Exercise 5A: Develop Hypothetical McDonald's Corporation Strategies 160

Exercise 5B: Should McDonald's Build, Borrow, or Buy in 2023–2024? 161

Set 2: Strategic Planning for My University 161

Exercise 5C: Develop Alternative Strategies for Your University 161

Set 3: Strategic Planning for Myself 161

Exercise 5D: The Key to Personal Strategic Planning: Simultaneously Build and Borrow 161

Set 4: Individual Versus Group Strategic Planning 162

Exercise 5E: What Is the Best Mix of Strategies for McDonald's Corporation? 162

### **MINI-CASE ON MACY'S INC.: IS DIVESTITURE THE MOST COMMON CORPORATE STRATEGY TODAY? 163**

*Web Resources 164*

*Current Readings 164*

*Endnotes 165*

## Chapter 6 Strategy Analysis and Choice 167

### Strategy Analysis and Choice 168

**EXEMPLARY STRATEGIST SHOWCASED: PHEBE NOVAKOVIC, CHAIRPERSON AND CEO OF GENERAL DYNAMICS CORPORATION 168**

The Process of Generating and Selecting Strategies 169

### The Strategy Formulation Analytical Framework 169

Stage 1: The Input Stage 170 • Stage 2: The Matching Stage 170 • Stage 3: The Decision Stage 170

### The SWOT Matrix 171

**ETHICS CAPSULE 6: AS WE STRATEGIZE WE MUST NOT JEOPARDIZE ANIMAL WELFARE 172**

### The Strategic Position and Action Evaluation (SPACE) Matrix 173

Steps in Performing SPACE Analysis 174 • SPACE Matrix Quadrants 176

### The Boston Consulting Group (BCG) Matrix 178

### The Internal-External (IE) Matrix 182

### The Grand Strategy Matrix 185

Feedback Among the Matching Tools 186

### The Decision Stage: The QSPM 187

Positive Features and Limitations of the QSPM 191

### How to Estimate Costs Associated with Recommendations 191

### Cultural Aspects of Strategy Analysis and Choice 191

**GLOBAL CAPSULE 6: ARE FOREIGN TAKEOVERS BECOMING LESS AVAILABLE? THE ANSWER IS YES. 192**

### The Politics of Strategy Analysis and Choice 192

**IMPLICATIONS FOR STRATEGISTS 194**

**IMPLICATIONS FOR STUDENTS 195**

### Chapter Summary 195

*Key Terms and Concepts 196*

*Issues for Review and Discussion 196*

*Writing Assignments 198*

### **ASSURANCE-OF-LEARNING EXERCISES 198**

Set 1: Strategic Planning for McDonald's 198

Exercise 6A: Perform a SWOT Analysis for McDonald's 198

Exercise 6B: Develop a SPACE Matrix for McDonald's 198

Exercise 6C: Develop a BCG Matrix for McDonald's 198

Exercise 6D: Develop a QSPM for McDonald's 199

Set 2: Strategic Planning for My University 199

Exercise 6E: Develop a BCG Matrix for My University 199

Set 3: Strategic Planning to Enhance My Employability 199

Exercise 6F: Perform QSPM Analysis on Yourself 199

Exercise 6G: A Template Competency Test 200

Set 4: Individual Versus Group Strategic Planning 200

Exercise 6H: How Severe Are Various Subjective Threats in Strategic Planning? 200

**MINI-CASE ON STELLANTIS NV: WHAT AUTO COMPANY WILL HAVE THE BEST SMART COCKPIT BY 2025? 201**

*Web Resources 202*

*Current Readings 202*

*Endnotes 203*

## PART 3 Strategy Implementation 204

### Chapter 7 Implementing Strategies: Management and Marketing Issues 205

Transitioning from Formulating to Implementing Strategies 206

**EXEMPLARY STRATEGIST SHOWCASED: PENNY PENNINGTON, CEO OF EDWARD D. JONES & CO. 206**

The Need for Clear Annual Objectives 207

Establish Policies 209

**ETHICS CAPSULE 7: DO FIRMS NEED A CELL PHONE POLICY TO OUTLINE ACCEPTABLE USE IN THE WORKPLACE? 210**

Allocate Resources and Manage Conflict 211

Allocate Resources 211 • Manage Conflict 212

Match Structure with Strategy 212

Types of Organizational Structure 213

The Functional Structure 213 • The Divisional Structure 214  
• The Strategic Business Unit Structure 216 • The Matrix Structure 216

Do's and Don'ts in Developing Organizational Charts 218

How to Depict an Organizational Chart 219

Strategic Production/Operations Issues 221

Restructuring and Reengineering 222 • Manage Resistance to Change 222 • Decide Where and How to Produce Goods 223

Strategic Human Resource Issues 223

Link Performance and Pay to Strategy 224 • Balance Work Life and Home Life 224 • Promote Diversity 225 • Use Caution in Hiring a Rival's Employees 226 • Create a Culture Supportive of Strategy 226 • Use Caution in Monitoring Employees' Social Media 226 • Develop a Corporate Well-Being Program 227

Strategic Marketing Issues 227

Segment and Target Markets Effectively 228 • Product Positioning 228

**GLOBAL CAPSULE 7: HOW THE COVID-19 PANDEMIC CAUSED SOME HOTELIERS TO RETHINK THEIR TARGET MARKETING 229**

Perceptual Mapping 230 • Engage Customers in Social Media 231

**IMPLICATIONS FOR STRATEGISTS 232**

**IMPLICATIONS FOR STUDENTS 233**

Chapter Summary 234

*Key Terms and Concepts 234*

*Issues for Review and Discussion 234*

*Writing Assignments 236*

**ASSURANCE-OF-LEARNING EXERCISES 236**

Set 1: Strategic Planning for McDonald's 236

Exercise 7A: Compare and Contrast McDonald's Marketing Expenses Versus Rival Firms 236

Exercise 7B: Diagram an Existing and Proposed Organizational Chart for McDonald's 236

Set 2: Strategic Planning for My University 237

Exercise 7C: Develop a Perceptual Map for My University 237

Set 3: Strategic Planning to Enhance My Employability 237

Exercise 7D: Marketing Yourself to Best Achieve Your Career Objectives 237

Set 4: Individual Versus Group Strategic Planning 238

Exercise 7E: What Are the Most Important Benefits of Having a Diverse Workforce? 238

**MINI-CASE 7 ON ASTRAZENECA PLC: CAN YOU IMPROVE ASTRAZENECA'S ORGANIZATIONAL STRUCTURE? 238**

*Web Resources 239*

*Current Readings 239*

*Endnotes 240*

### Chapter 8 Implementing Strategies: Finance and Accounting Issues 243

**EXEMPLARY STRATEGIST SHOWCASED: THASUNDA BROWN DUCKETT, CEO OF TIAA 244**

Capital Structure 245

EPS/EBIT Analysis: Steps to Complete 246 • EPS/EBIT Analysis: An Example 247 • EPS/EBIT Analysis: Limitations 249

Projected Financial Statements 249

The Free Excel Strategic Planning Template at [www.strategyclub.com](http://www.strategyclub.com) 249

**ETHICS CAPSULE 8: PROJECTED FINANCIAL STATEMENT MANIPULATION 251**

**GLOBAL CAPSULE 8: WHAT ARE THE TOP 10 MOST (AND LEAST) CORRUPT COUNTRIES IN THE WORLD IN 2021? 251**

Steps to Develop Projected Financial Statements 252

• Nonprofit Organizations 253 • ABC Company's Actual Financial Statements 253 • ABC's Projected Financial Statements 254 • ABC's Retained Earnings Data Table 257

Corporate Valuation 258

Corporate Valuation Methods 258

Manage Financial Ratios, IPOs, and Bonds 260

Financial Ratio Analysis 260 • Go Public with an IPO? 261 • Issue Bonds to Raise Capital? 263

**IMPLICATIONS FOR STRATEGISTS 263**

**IMPLICATIONS FOR STUDENTS 263**

Chapter Summary 264

*Key Terms and Concepts 264*

*Issues for Review and Discussion 265*

*Writing Assignments 265*

**ASSURANCE-OF-LEARNING EXERCISES 266**

Set 1: Strategic Planning for McDonald's 266

Exercise 8A: Perform an EPS/EBIT Analysis for McDonald's 266

Exercise 8B: Prepare Projected Financial Statements for McDonald's 266

Exercise 8C: Determine the Cash Value of McDonald's 267

Exercise 8D: Prepare Projected Financial Ratios for McDonald's 267

Set 2: Strategic Planning for My University 267

Exercise 8E: Determine the Cash Value of My University 267

Set 3: Strategic Planning to Enhance My Employability 268

Exercise 8F: Developing Personal Financial Statements 268

Exercise 8G: A Template Competency Test 268

Set 4: Individual Versus Group Strategic Planning 269

Exercise 8H: How Severe Are the Seven Limitations to EPS/EBIT Analysis? 269

**MINI-CASE ON THE MICROSOFT CORPORATION: MICROSOFT RATED THE BEST MANAGED COMPANY IN 2021 (AND 2020) BY THE DRUCKER INSTITUTE AT THE CLAREMONT GRADUATE UNIVERSITY 270**

*Web Resources 270*

*Current Readings 271*

*Endnotes 271*



## PART 4 Strategy Evaluation and Governance 272

### Chapter 9 Strategy Evaluation and Governance 273

#### The Strategy Evaluation Process 274

**EXEMPLARY STRATEGIST SHOWCASED: MS. ROSALIND BREWER, CEO OF WALGREENS BOOTS ALLIANCE 274**

**GLOBAL CAPSULE 9: INDIA'S BIG SHIFT AWAY FROM CHINA ON SOLAR PANELS 276**

#### Three Strategy Evaluation Activities 276

Reviewing Bases of Strategy 277 • Measuring Organizational Performance 278 • Taking Corrective Actions 280

#### The Balanced Scorecard 281

#### Boards of Directors: Governance Issues 282

#### Challenges in Strategic Management 284

The Art or Science Issue 284 • The Visible or Hidden Issue 285

**ETHICS CAPSULE 9: RUBRIK'S CEO BIPUL SINHA: "ACHIEVE EXEMPLARY BUSINESS ETHICS THROUGH EXEMPLARY TRANSPARENCY" 286**

Promote Workplace Democracy 286 • Contingency Planning 287 • Auditing 288

#### Guidelines for Effective Strategic Management 288

**IMPLICATIONS FOR STRATEGISTS 291**

**IMPLICATIONS FOR STUDENTS 291**

#### Chapter Summary 292

*Key Terms and Concepts 292*

*Issues for Review and Discussion 292*

*Writing Assignments 293*

#### **ASSURANCE-OF-LEARNING EXERCISES 293**

Set 1: Strategic Planning for McDonald's 293

Exercise 9A: Develop a Balanced Scorecard for McDonald's 293

Set 2: Strategic Planning for My University 294

Exercise 9B: Prepare a Strategy Evaluation Report for My University 294

Set 3: Strategic Planning to Enhance My Employability 294

Exercise 9C: A Balanced Scorecard to Evaluate My Professional versus Personal Objectives 294

Set 4: Individual Versus Group Strategic Planning 295

Exercise 9D: How Important Are Various Guidelines for Effective Strategic Management? 295

**MINI-CASE ON TJX COMPANIES, INC. (TJX): SECRET STRATEGIC PLANNING WORKS GREAT FOR TJX 297**

*Web Resources 297*

*Current Readings 298*

*Endnotes 298*

## PART 5 Key Strategic Management Topics 300

### Chapter 10 Business Ethics, Environmental Sustainability, and Corporate Social Responsibility 301

**EXEMPLARY STRATEGIST SHOWCASED: KAREN LYNCH, CEO OF CVS HEALTH 302**

#### Why "Good Ethics Is Good Business" 303

Does It Pay to Be Ethical? 303 • How to Establish an Ethics Culture 304

**GLOBAL CAPSULE 10: USAGE OF DEI METRICS ACROSS COUNTRIES 305**

#### Whistleblowing, Bribery, and Workplace Romance 306

Whistleblowing 306 • Avoid Bribery 306 • Workplace Romance 307

#### Environmental Sustainability 308

Sustainability Reports and the Environmental Protection Agency (EPA) 308 • International Standardization Organization (ISO) Certification 310

#### Corporate Social Responsibility (CSR) 312

Animal Welfare, Including Wildlife and Livestock Welfare 313

**ETHICS CAPSULE 10: AS WE STRATEGIZE WE MUST NOT EXPLOIT OR HARM WILDLIFE 314**

What Firms Are the Best CSR Stewards? 314

**IMPLICATIONS FOR STRATEGISTS 315**

**IMPLICATIONS FOR STUDENTS 316**

#### Chapter Summary 316

*Key Terms and Concepts 316*

*Issues for Review and Discussion 316*

*Writing Assignments 317*

#### **ASSURANCE-OF-LEARNING EXERCISES 317**

Set 1: Strategic Planning for McDonald's 317

Exercise 10A: Does McDonald's (MCD) or Restaurant Brands International (RBI) Win on Diversity, Equity, and Inclusion (DEI)? 317

Set 2: Strategic Planning for My University 318

Exercise 10B: How Does My University Compare to Others on the Use of Green Power? 318

Set 3: Strategic Planning for Myself 318

Exercise 10C: What Is My Business Ethics Quotient? 318

Set 4: Individual Versus Group Strategic Planning 319

Exercise 10D: How Potentially Severe Are the Various Reasons Why Workplace Romance Should Be Discouraged? 319

**MINI-CASE ON CARGILL, ARCHER-DANIELS-MIDLAND, AND TYSON FOODS: WHAT COMPANY CARES MOST ABOUT ANIMAL WELFARE? 320**

*Web Resources 321*

*Current Readings 321*

*Endnotes 322*

### Chapter 11 Global and International Issues 325

#### The Nature of Doing Business Globally 326

**EXEMPLARY STRATEGIST SHOWCASED: EMMA WALMSLEY, CEO OF GLAXOSMITHKLINE (GSK) PLC 326**

Multinational Firms 328 • Labor Unions 328 • Tax Rates 328

#### Advantages and Disadvantages of Doing Business Globally 330

**ETHICS CAPSULE 11: IS COSMETICS ANIMAL TESTING A GLOBAL ETHICAL ISSUE? 331**

#### The Global Challenge 331

Outsourcing and Reshoring 332

#### USA Versus Foreign Business Culture 333

Communication Differences Across Countries 335

#### Business Culture Across Countries 336

Mexico 336 • Japan 336 • China 337 • India 337

GLOBAL CAPSULE 11: CHINA AIMS FOR SUPERIORITY ON RARE EARTH METALS MINING AND PROCESSING	338
Business Climate Across Countries	339
IMPLICATIONS FOR STRATEGISTS	340
IMPLICATIONS FOR STUDENTS	340
Chapter Summary	341
Key Terms and Concepts	341
Issues for Review and Discussion	341
Writing Assignments	342
ASSURANCE-OF-LEARNING EXERCISES	342
Set 1: Strategic Planning for McDonald's	342
Exercise 11A: Business Culture Variation Across Countries: A Report for McDonald's Company	342
Exercise 11B: McDonald's Wants to Further Penetrate Africa. Can You Help Them?	343
Set 2: Strategic Planning for My University	343
Exercise 11C: Does My University Recruit in Foreign Countries?	343
Set 3: Strategic Planning to Enhance My Employability	343
Exercise 11D: How Well-Traveled Are You Compared with Your Colleagues?	343
Set 4: Individual Versus Group Strategic Planning	344
Exercise 11E: How Important Are Various Potential Advantages to Initiating, Continuing, or Expanding a Firm's International Operations?	344
MINI-CASE ON TOSHIBA CORPORATION: IS KEIRETSU GONE IN JAPAN? IF YES, IS THIS GOOD FOR JAPAN?	346
Web Resources	347

Current Readings	347
Endnotes	348

## PART 6 Strategic-Management Case Analysis 350

### How to Prepare and Present a Case Analysis 351

#### Guidelines for Preparing to Discuss a Case in Class 352

- Be Practical 352 • Be Thorough 353 • Be Realistic 353
- Be Specific 353 • Be Original 353

#### Listen and Contribute 353

#### Developing and Delivering a Written Case Analysis 354

#### Making an Oral Presentation 355

- Controlling Your Voice 355 • Managing Body Language 355 • Speaking from Slides 356 • Answering Questions 356 • Presenting a Case Analysis Orally 356

#### Tips for Success in Case Analysis 356

#### ASSURANCE-OF-LEARNING EXERCISE 357

Strategic Planning to Enhance My Employability: How Important Are Various Reasons to Use the Free Excel Strategic Planning Template at [www.strategyclub.com](http://www.strategyclub.com)? 357

### Glossary 604

### Name Index 613

### Subject Index 619

# Cases

## US-Headquartered Disruptive Technology Firms

### Sharing Economy

1. Airbnb, Inc. (ABNB) – HQ in San Francisco, California, Airbnb is an online, global marketplace for lodging, vacation rentals, and tourism activities. 359
2. Uber Technologies, Inc. (UBER) – HQ in San Francisco, California, Uber is a global operator of mobility services, using online-secured taxi-type services via individual drivers. 367

### Clean Air And Sustainability

3. Tesla Motors, Inc. (TSLA) – HQ in Austin, Texas, Tesla is a US electric vehicle and clean energy company. 375
4. First Solar, Inc. (FSLR) – HQ in Tempe, Arizona, First Solar is a large manufacturer and distributor of solar panels and power plants globally. 384

## US-Headquartered Service Firms

### Restaurants

5. Cracker Barrel Old Country Store, Inc. (CBRL) – HQ in Lebanon, Tennessee, Cracker Barrel is a US chain of restaurant and gift stores that provide Southern country meals and products. 393
6. Chipotle Mexican Grill, Inc. (CMG) – HQ in Newport Beach, California, Chipotle is a US chain of fast-casual restaurants providing Mexican food to customers in the US, Canada, and Europe. 401

### Lodging And Movies

7. Wynn Resorts, Ltd. (WYNN) – HQ in Las Vegas, Nevada, Wynn is a well-known, large, global, casino and lodging company, with properties in Las Vegas, Macau, Everett (Massachusetts), Boston, and Cotai. 409
8. Cinemark Holdings, Inc. (CNK) – HQ in Plano, Texas, Cinemark owns and operates hundreds of movie theaters in the Americas and in Taiwan. 418

### Internet-Based

9. Meta Platforms, Inc. (META) – HQ in Menlo Park, California, Meta is the world's largest online social networking company; Meta owns Facebook, Instagram, WhatsApp, Oculus, and other businesses. 426
10. Electronic Arts, Inc. (EA) – HQ in Redwood City, California, Electronic Arts is the second-largest (behind Activision Blizzard) video game company in the Americas and Europe. 435

### Stores And Banks

11. The TJX Companies, Inc. (TJX) – HQ in Framingham, Massachusetts, TJX is a global off-price chain of department stores that include such companies as TJ Maxx, Marshalls, HomeGoods, and HomeSense. 445
12. Citigroup, Inc. (C) – HQ in New York City, Citigroup is one of the largest global investment banks and financial services corporations in the world. 455

### Airlines And Airfreight

13. JetBlue Airways Corp. (JBLU) – HQ in New York City, JetBlue is a low-cost airline that has grown to become the seventh-largest airline in North America. 464
14. FedEx Corp. (FDX) – HQ in Memphis, Tennessee, FedEx is a global transportation, e-commerce, and business services company. 472

## US-Headquartered Manufacturing Firms 480

### Heavy Machinery And Oil

15. Caterpillar Inc. (CAT) – HQ in Deerfield, Illinois, with a global dealer network, Caterpillar is the world's largest construction-equipment designer, manufacturer, distributor, and marketer. 480
16. Chevron Corp. (CVX) – HQ in San Ramon, California, Chevron is the second-largest oil and gas refiner, distributor, and marketer in the US (behind Exxon); having refineries and operations globally, Chevron owns Texaco and Noble Energy. 487

### Food And Drink

17. Tyson Foods, Inc. (TSN) – HQ in Springdale, Arkansas, Tyson Foods is the world's second-largest processor and marketer of chicken, beef, and pork (behind JBS S.A.); Tyson exports more beef out of the US than any other company. 495
18. Constellation Brands, Inc. (STZ) – HQ in New York City, Constellation is a global producer and marketer of beer, wine, and spirits, and is the largest beer import company in the US. 503

### Leisure Activities

19. Johnson Outdoors (JOUT) – HQ in Racine, Wisconsin, Johnson Outdoors produces outdoor recreational products such as watercraft, diving equipment, camping gear, and outdoor clothing. 511
20. Thor Industries (THO) – HQ in Elkhart, Indiana, Thor is the leading producer of recreational vehicles (RVs) in the world; brand names include Airstream, Heartland, Jayco, and Livin Lite RV. 518

### Electronic Devices, Consulting, and Analytics

21. Apple, Inc. (AAPL) – HQ in Cupertino, California, Apple is the world's largest technology company and the world's most valuable company, especially known for its iPhone, iPad, Apple TV, iOS, Macintosh, Apple Watch, and more. 526
22. International Business Machines Corp. (IBM) – HQ in Armonk, New York, IBM is a global technology corporation with operations in 172 countries and owns Red Hat Software, Kyndryl, Aspera, Fiberlink, Trusteer, and more. 535

### Personal Products

23. Colgate-Palmolive (CL) – HQ in New York City, Colgate-Palmolive is a large global consumer products company specializing in the production and distribution of household, health-care, personal care, and veterinary products. 542
24. Helen of Troy (HELE) – HQ in El Paso, Texas, HELE is a worldwide diversified designer, developer, and marketer of beauty products, housewares, and health and home, owning such brands as Revlon, Honeywell, Brut, and Vicks. 549

### Nonprofit Organizations

25. American Red Cross (ARC) – HQ in Washington, DC, ARC is a global humanitarian organization that provides disaster relief, preparedness, and assistance. 557
26. United States Postal Service (USPS) – HQ in Washington, DC, USPS provides global mail delivery products and services. 563

### Outside-Us-Headquartered Firms

27. Singapore Airlines Group (SINGY) – HQ in Singapore, this airline has been voted the world's best airline by Skytrax multiple times. 572
28. Danone S.A. (DANOY) – HQ in Paris, France, Danone is a €25 billion multinational food-products company with brands that include Dannon in the US. 581
29. Grupo Bimbo, S.A.B. de C.V. (GRBMF) – HQ in Mexico City, Mexico, and having about 200 bakery plants, Grupo Bimbo has a presence in more than 35 countries producing and selling brands that include Bimbo, Tía Rosa, Ricolino, Entenmann's, Pullman, Rainbo, Nutrella, Marinela, Oroweat, Sara Lee, Thomas', Arnold, and Barcel. 589
30. GlaxoSmithKline Plc (GSK) – HQ in London, UK, GSK is the sixth-largest pharmaceutical company in the world, behind Pfizer, Novartis, Roche, Sanofi, and Merck. 597




# Preface

## New to This Edition

With this edition we have updated 35 percent of the chapter material, added 11 new end-of-chapter mini-cases, and provided virtually all new examples in the chapters. We have integrated new diversity, ethics, and inclusion (DEI) content appropriately as needed in all chapters and cases for this 18th edition. For example, minorities and female “exemplary strategists” are showcased at the beginning of most chapters and the cohesion case. Specifically, new material in this edition includes the following items outlined in this section.

### Chapter 1 Cohesion Case on McDonald’s Corporation (2022)

Students apply strategy concepts to McDonald’s through 25 new, innovative Assurance-of-Learning Exercises provided at the end of chapters. McDonald’s is one of the most successful, well-known, and best-managed global companies in the world.



#### THE COHESION CASE

### McDonald’s Corporation, 2022

BY FRED R. DAVID

<https://corporate.mcdonalds.com/>

Headquartered in Chicago, Illinois, McDonald’s is the world’s largest restaurant company and the world’s second-largest employer (behind Walmart). McDonald’s trains its managers and franchisees at Hamburger University located at its Chicago headquarters. McDonald’s is the largest private operator of playgrounds in the United States and is the largest purchaser of beef, pork, potatoes, and apples.

McDonald’s operates about 40,000 restaurants in 120 countries; roughly 36,000 restaurants are franchised and only 4,000 are owned by the company. McDonald’s franchised restaurants are owned and operated by independent local business owners, whereas the company-owned restaurants are used to test new products, services, and innovations. McDonald’s company-owned restaurants are also used for training potential managers and testing various marketing, pricing, and operational ideas before rollout across the system.

## Mini-Cases

There are 11 new mini-cases, one at the end of each chapter.

Complete with questions designed to apply chapter concepts, the new mini-cases focus on the following companies:

- Chapter 1: Ford Motor Company
- Chapter 2: JetBlue Airways
- Chapter 3: *Washington Post*
- Chapter 4: A School of Business
- Chapter 5: Macy’s, Inc.
- Chapter 6: Stellantis N.V.
- Chapter 7: AstraZeneca
- Chapter 8: Microsoft Corporation
- Chapter 9: TJX Companies, Inc.
- Chapter 10: Cargill, Archer-Daniels-Midland, & Tyson Foods
- Chapter 11: Toshiba Corporation


#### MINI-CASE ON JETBLUE AIRWAYS

### DOES JETBLUE HAVE THE BEST MISSION STATEMENT?<sup>15</sup>

As indicated at the website given in the Source Line, some analysts rate JetBlue Airways (JetBlue) number one as having the best mission statement among all companies, but is that true? As you know, there are recommended components and characteristics that should be included in an effective mission statement.

Headquartered in New York City, JetBlue is a *Fortune* 500 major low-cost airline operating more than 1,000 flights daily serving more than 100 domestic and international cities. JetBlue flies all over Mexico, South America, Europe, and Canada. JetBlue stock trades on the Nasdaq under the ticker symbol JBLU.

At the JetBlue corporate website, [www.jetblue.com](http://www.jetblue.com), the company does not provide a published vision or mission statement. JetBlue uses or once used the following statement, however, that was used by analysts to rate the firm as having the best mission statement:



## Chapter Capsules—ALL NEW

Within each chapter, a new **EXEMPLARY STRATEGIST**, **GLOBAL CAPSULE**, and **ETHICS CAPSULE** are provided.

**Exemplary Strategist Capsules**—one at the beginning of each chapter to showcase an individual that is employing strategic management exceptionally well.

**Global Capsules**—provided to showcase the strategic relevance of material to global operations, issues, and conditions.

**Ethics Capsules**—developed to accent the fact that “good ethics is good business” across all aspects of the strategic-management process.

#### EXEMPLARY STRATEGIST SHOWCASED

### Patti Poppe, CEO of Pacific Gas & Electric<sup>1</sup>

The CEO and chief strategist of Pacific Gas & Electric (PG&E), Patti Poppe plans to spend about \$20 billion to put 10,000 miles of PG&E power lines underground, primarily to better manage and be less vulnerable to wildfires but also to reduce long-term expenditures on “vegetation management.” No utility company has ever attempted to do what Poppe plans, saving such an undertaking is prohibitively expensive. Poppe’s plan is to reduce long-term expenditures on “vegetation management.” No utility company has ever attempted to do what Poppe plans, saving such an undertaking is prohibitively expensive.

#### GLOBAL CAPSULE 10

### Usage of DEI Metrics Across Countries<sup>7</sup>

Companies globally are scrambling to develop, use, monitor, and make decisions based on numerous diversity, equality, and inclusion (DEI) metrics or variables that collectively characterize an institution’s overall standing on DEI, including fairness regarding race, gender, and religious variables. DEI is often viewed as an assessment of an organization’s integration of minorities, including women and people of color, into the workforce, so the same metrics are applicable globally. Every country is populated by roughly 50 percent females, and inclusion of females is an almost universal key component of DEI to be measured and improved.

In the United States, research says about 14 percent of the population self-identify as Black or African American. Racial diversity is growing in most countries. In the United States, research says about 14 percent of the population self-identify as Black or African American. Racial diversity is growing in most countries.

#### ETHICS CAPSULE 9

### Rubrik’s CEO Bipul Sinha: “Achieve Exemplary Business Ethics Through Exemplary Transparency”<sup>12</sup>

Based in Palo Alto, California, Rubrik is a data management company whose CEO, Bipul Sinha, has established a culture of complete openness as a means of achieving superior business ethics. Sinha believes extreme honesty helps create a strong corporate culture that spurs entrepreneurialism, innovativeness, motivation, commitment, and integrity. Even the company’s board of director meetings are completely open to all 600 of the company’s employees, and most employ-

the *Forbes* Cloud 100 that annually ranks the world’s best private cloud companies. Other firms that made the 2021 list were Stripe, Databricks, and Canva.

In contrast to Rubrik’s transparency, GE’s board of directors did not know until the *Wall Street Journal* reported it in 2017 that their former CEO Jeff Immelt had an extra jet follow his corporate jet on many of his overseas trips during his 16-year tenure as CEO. Immelt resigned days after the disclosure. However, an increasing number of companies and organizations are in fact providing employees with regular updates on how the firm is doing financially and what, where, when, and why. This is evident even among private (not public) companies. Approximately 43 percent of all private firms today share financial information with all employees, up from 24 percent in 2012. That is nearly a 100 percent increase. Greater communication yields greater understanding that leads to greater commitment which results in higher performance.

Chapter	Exemplary Strategist Capsules focus on the following people:	Global Capsules focus on the following topics:	Ethics Capsules address the following issues:
1	Andrew Cathy, CEO of Chick-fil-A	Companies Exiting China amid Tighter Security	Don't Just Talk the Talk, Walk the Walk
2	Patti Poppe, CEO of Pacific Gas & Electric	LinkedIn: Clear Core Values, Vision, and Mission Lead to Global Prominence	What Ethics Variable Is Most Important?
3	Chipotle's Chief Diversity, Inclusion and People Officer, Ms. Andrada, and Chief Development Officer, Ms. Zalotrawala	What Is the Fastest Growing City and Country? Perhaps Dubai and the UAE	CO <sub>2</sub> Emissions Across Countries
4	CEO of Nasdaq, Adena Friedman	Samsung Electronics	Unethical Hacking for Profit Increasing Fast
5	CEO of Apple, Inc.—Tim Cook and CEO of Macy's, Inc.—Jeff Gennette	Numerous Countries Downsizing Foreign Workforce, Relying on Native Residents	Ask Hobby Lobby Is Good Ethics Good Business?
6	Phebe Novakovic, Chairperson and CEO of General Dynamics Corp.	Are Foreign Takeovers Becoming Less Available?	As We Strategize, We Must Not Jeopardize Animal Welfare
7	CEO of Edward D. Jones & Co.—Penny Pennington	COVID-19 Pandemic Caused Some Hoteliers to Rethink Their Target Marketing	Do Firms Need a Cell Phone Policy to outline Acceptable Use in the Workplace?
8	CEO of TIAA—Thasunda Brown Duckett	The 10 Most (and Least) Corrupt Countries in the World in 2021	Projected Financial Statement Manipulation
9	CEO of Walgreens Boots Alliance—Rosalind Brewer	India's Big Shift Away from China on Solar Panels	Achieving Exemplary Business Ethics Through Exemplary Transparency
10	CEO of CVS Health—Karen Lynch	Usage of Diversity, Equity, and Inclusion (DEI) Metrics Across Countries	As We Strategize, We Must Not Exploit or Harm Wildlife
11	CEO of GlaxoSmithKline—Emma Walmsley	China Aims for Superiority on Rare Earth Metals Mining and Processing	Is Animal Testing a Global Ethical Issue?

**Assurance-of-Learning Exercises**—nearly all new and organized into four sets as follows that apply chapter concepts, tools, and techniques:

**Set 1: Strategic Planning for McDonald's**—25 exercises apply chapter material to the McDonald's Cohesion Case to prepare students for doing case analysis on for-profit companies.

**Set 2: Strategic Planning for My University**—12 exercises apply chapter material to your college or university to prepare students for doing case analysis on nonprofit organizations.

**Set 3: Strategic Planning to Enhance My Employability**—14 exercises apply chapter material to individuals instead of companies to prepare students for making career choices.

**Set 4: Individual Versus Group Strategic Planning**—11 exercises apply chapter material by comparing the effectiveness of individual versus group decisions; these are fun, in-class group exercises that yield a winning individual and winning group for each activity.

### Detailed Chapter-by-Chapter Changes

Chapter 1: THE NATURE OF STRATEGIC MANAGEMENT—scores of new examples are provided to exemplify all concepts. New diversity, equity, and inclusion (DEI) material is given.

Chapter 2: BUSINESS VISION AND MISSION—new material and examples are provided for how to write effective vision, mission, and core value statements.

Chapter 3: THE EXTERNAL ASSESSMENT—new material is provided on political, economic, social, technology, environment, legal (PESTEL) framework; more guidance is provided regarding how to assign weights and ratings in matrices; new examples abound throughout.

The AQCD concept is explained and exemplified better. The discussion of Five-Forces Analysis is strengthened. Guidelines are provided for using the strategic planning template at [www.strategyclub.com](http://www.strategyclub.com) to develop a Competitive Profile Matrix and External Factor Evaluation Matrix.

Chapter 4: THE INTERNAL ASSESSMENT—this chapter has been revamped; the AQCD material is improved; the marketing material is enhanced; new examples abound throughout. Supply chain and robotics issues are discussed. Guidelines are provided for using the strategic planning template to develop financial ratios, financial statements, and an Internal Factor Evaluation Matrix.

Chapter 5: STRATEGIES IN ACTION—scores of new examples are provided to exemplify all concepts; the growing trend of firms divesting a segment(s) to become more homogeneous is discussed.

Chapter 6: STRATEGY ANALYSIS AND CHOICE—the presentation of this chapter that includes SWOT, Boston Consulting Group (BCG), Internal-External (IE), Strategic Position and Action Evaluation (SPACE), Grand, and Quantitative Strategic Planning Matrix (QSPM) analyses is enhanced and shortened. A new Figure 6-14 is provided to accompany enhanced SWOT analysis. The presentation of portfolio analysis is improved. Guidelines are provided for using the strategic planning template to develop all matrices.

Chapter 7: IMPLEMENTING STRATEGIES: MANAGEMENT AND MARKETING ISSUES—this chapter is fully updated and enhanced, especially with new target marketing, segmentation, and positioning analyses. New policies regarding remote work are discussed. The new Chief Diversity Officer position is discussed. Enhanced discussion of strategic business unit structures and perceptual maps is provided. A new organizational structure decision-making model is presented. Guidelines are provided for using the strategic planning template to develop perceptual maps.

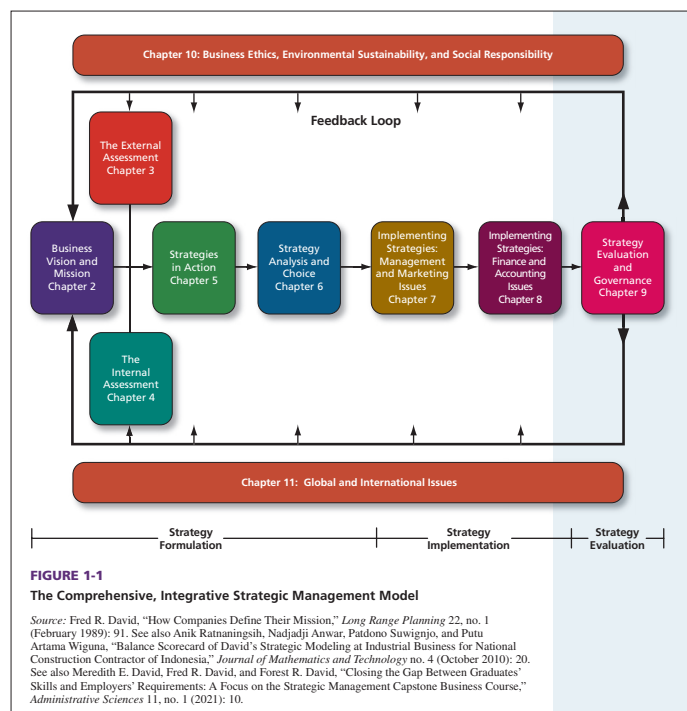
Chapter 8: IMPLEMENTING STRATEGIES: FINANCE AND ACCOUNTING ISSUES—there is enhanced presentation of financial and accounting tools, such as EPS/EBIT analysis, corporate valuation, and projected financial statements; a new running example for ABC Company is provided. The increasing usage of special purpose acquisition companies (SPACs) as a form of initial public offerings is discussed. Guidelines are provided for using the strategic planning template to perform all financial analyses.

Chapter 9: STRATEGY EVALUATION AND GOVERNANCE—excellent new examples are presented to highlight new trends and concepts such as balanced scorecard usage and diversity, equity, and inclusion (DEI) considerations in governance.

Chapter 10: BUSINESS ETHICS, ENVIRONMENTAL SUSTAINABILITY, AND CORPORATE SOCIAL RESPONSIBILITY—this chapter provides updated coverage of ethics, whistleblowing, bribery, sustainability, and corporate social responsibility. This text reveals why “good ethics is good business.” The diversity, ethics, and inclusion (DEI) discussion is improved to promote and encourage firms to conduct operations with respect for all individuals, an important concern for consumers, companies, society, and Association to Advance Collegiate Schools of Business (AACSB). Substantial new material is provided on livestock and wildlife welfare.

Chapter 11: GLOBAL AND INTERNATIONAL ISSUES—this chapter is enhanced and shortened but provides new coverage of cultural and conceptual strategic management differences across countries. Doing business globally has become a necessity in most industries. Full updates are provided for an ever-changing global business environment, ranging from tax rates to cultural shifts.

Part 6: STRATEGIC MANAGEMENT CASE ANALYSIS—this section that follows all chapters has been rewritten to be more concise and in providing guidelines for students performing case analysis and making oral presentations.



## Author-Created Videos

We have added author-created videos introducing the content of each chapter and 11 videos discussing a variety of important topics such as mission statement delivery, BCG Matrix, and corporate evaluation.

## Solving Teaching and Learning Challenges

The primary challenge facing strategy professors is to keep students engaged while making sure business skills are learned. This text leads all others in being practical, skills-oriented, and unfolds in the same manner as the process of actually doing strategic planning unfolds. Students and professors alike appreciate this practical approach presented in a concise, conversational, and exciting manner—beginning with the integrative model of the strategic management process that unifies all chapters. All of the 11 end-of-chapter mini-cases, 471 review questions, and 62 Assurance-of-Learning Exercises are designed specifically to apply chapter concepts. Importantly, too, all 30 new cases in this 18th edition are written and designed to facilitate application of chapter concepts, as illustrated in the new Concepts-by-Cases matrix presented in a moment.

## 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 in 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 as well as timid, noncontributing group members. This experience is valuable because strategic management students are near graduation and will 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.
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.

## Exemplary Strategist

Strategic management students often learn best when provided with real-world examples that illustrate the application of key concepts to real-world situations. Thus, each 18th edition chapter begins by featuring an exemplary strategist to showcase and reveal the key characteristics and management approach of leading strategists in the world. We all can learn from the best strategists. These vignettes showcase the accomplishments and leadership of exemplary minorities and women who blaze a trail and set a great example for all of us to follow each day.

## Ethics Capsules

Students sometimes struggle with understanding the importance of business ethics in strategic management. Ethical issues can play a key role in a firm's success (or failure). An ethics capsule appears in each chapter to showcase the overriding importance of doing business in a socially and environmentally responsible manner. These capsules exemplify across all stages of strategic management that indeed "good ethics is good business."

## Global Capsules

When conducting case analyses on multinational corporations, students sometimes struggle with recognizing how essential factors of the global business environment may impact a local firm as it seeks to attract and serve customers across several countries or even continents. However, important global factors must be considered across all stages of strategic management. Thus, each 18th edition chapter contains a global capsule to showcase the relevance of the material in a global business environment and to highlight the importance of carefully considering unique factors of the global business environment when formulating, implementing, and evaluating strategies for a multinational corporation.

## Implications for Strategists

Almost every company in existence could benefit from learning and applying the concepts, skills, and techniques discussed in the textbook to regularly perform strategic planning. Thousands, perhaps, millions of businesses and strategists globally use the strategic planning template and techniques discussed in this textbook to ensure that they develop an effective game plan that can be implemented to achieve sustained competitive advantage. To further assist strategists in applying the David method for strategic management, each 18th edition chapter ends by highlighting particularly important concepts and tools being used by strategists on the frontline actually doing strategic planning.

## Implications for Students

A crucial challenge in teaching strategy is making sure that students actually learn the business skills needed to engage in strategic management. Students in the capstone business course increasingly must be capable of demonstrating their employability to potential employers. When considering the employability of business graduates, many employers actively seek out candidates who can demonstrate their knowledge of important business skills. The mission of this 18th edition text is to provide students with a platform whereby they can learn pivotal strategic planning skills and competencies needed to obtain a meaningful job and advance in their career. As such, each chapter ends with special strategy guidelines that can facilitate students' efforts to become meaningful contributors at their workplace and to society.

## The New Concepts-by-Cases Matrix

All 30 cases in the 18th edition facilitate coverage of all strategy concepts presented in the 11 chapters, but as revealed by shaded cells (or an x) in the matrix, some cases especially exemplify particularly important strategy concepts. The Concepts-by-Cases matrix facilitates professors effectively using different cases to assure student learning of various chapter concepts. Note from the shaded boxes (or an x) that each case is used to test at least six strategic management concepts. This new, innovative ancillary promises to elevate the case learning method to new heights in teaching strategic management. Designed and used in this manner, case analysis is a better pedagogical tool even than simulations in teaching and applying key strategy concepts, tools, and techniques, so students finish the capstone course having learned and gained proficiency and competence in specific skills valued in the business world.



		Key Strategic Management Concepts	Strategy Model/Process	Vision/Mission Statements	Competitive Profile Matrix	Porter's Five Forces	EFE Matrix	PESTEL	Value Chain Analysis	IFE Matrix	Strategy Types	Porter's Two Generic Strategies
			0	0	0	0	0	0	0	0	0	0
	US-Based Disruptive Service Companies											
Case 1	Airbnb											
Case 2	Uber Technologies											
	US- Based Service Companies											
Case 3	Tesla Motors											
Case 4	First Solar											
Case 5	Cracker Barrel Old Country Store											
Case 6	Chipotle Mexican Grill											
Case 7	Wynn Resorts											
Case 8	Cinemark Holdings											
Case 9	Meta Platforms											
Case 10	Electronic Arts											
Case 11	TJX Companies											
Case 12	Citigroup											
Case 13	JetBlue Airways											
Case 14	FedEx Corp.											
	Manufacturing Companies											
Case 15	Caterpillar Inc.											
Case 16	Chevron Corp.											
Case 17	Tyson Foods											
Case 18	Constellation Brands											
Case 19	Johnson Outdoors											
Case 20	Thor Industries											
Case 21	Apple Inc.											
Case 22	IBM (International Business Machines)											
Case 23	Colgate-Palmolive											
Case 24	Helen of Troy											
	Nonprofit Organizations											
Case 25	American Red Cross											
Case 26	United States Postal Service (USPS)											
	Not-US Based Companies											
Case 27	Singapore Airlines											
Case 28	Danone S.A.											
Case 29	Grupo Bimbo, S.A.B. de C.V.											
Case 30	GlaxoSmithKline Plc											



## The David Approach Is Unique

This textbook is globally considered to be the most practical, skills-oriented strategic management textbook on the market. All chapters unfold from a widely used integrative model of strategic planning, so students learn the “process of doing strategic planning,” rather than focusing on seminal theories in strategy. The David approach is “learning by doing”—students develop skills that can enhance their own employability through numerous features, such as 62 new Assurance-of-Learning end-of-chapter exercises in this edition. The 30 new, student friendly cases in this edition elevate this text to new highs as the go-to pedagogical platform for teaching strategic management at both the bachelor’s and master’s levels in colleges and universities across the globe.

In addition to offering outstanding coverage of vital strategy tools, matrices, and techniques being used by companies and organizations to do strategic planning, this 18th edition offers more coverage on topics such as social responsibility, sustainability, and diversity, ethics, and inclusion (DEI) than any other strategic management textbook, including topics such as bribery, workplace romance, devising codes of ethics, taking a position (or not) on social issues, and preserving wildlife—topics that other textbooks do not mention, even though companies continually face strategic decisions in these areas.

The Association to Advance Collegiate Schools of Business (AACSB) International increasingly advocates a more skills-oriented, practical approach in business books, which this text provides, rather than a theory-based approach. This textbook also offers more coverage of global and international issues than any other strategic management textbook, including topics such as how business culture, taxes, tariffs, political stability, and economic conditions vary across countries—all framed from a strategic planning perspective.

Lastly, this textbook is trusted across five continents to provide students (and 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 advantages for any type of business. This text 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 globally.

## Developing Employability Skills

Using this text, students learn how to actually do strategic planning. This is an immense benefit for students, a critical employability skill, because employers recognize the benefits of employees having an understanding of what a firm is trying to achieve and why. Nearly all students using this text also use the free, Excel-based, strategic planning template at the [www.strategyclub.com](http://www.strategyclub.com) author website; many students include this skill too on their resumes, to showcase their proficiency using a template commonly used by businesses for doing strategic planning. Businesses value Excel. As professors of strategic management ourselves, we three authors know that imparting concrete skills and competencies to students enhances their chances for securing an excellent job upon graduation and advancing in their career, which is a primary part of our mission as authors and professors.

## Instructor Teaching Resources

For more information and resources, visit [www.pearson.com](http://www.pearson.com).



## Acknowledgments

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 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 Baylor University, Auburn University, Mississippi State University, East Carolina University, the University of South Carolina, Campbell University, the University of North Carolina at Pembroke, Francis Marion University, and the University of Debrecen. We have taught strategic management or marketing courses at all these universities. Scores of students and professors at these schools helped shape the development of this text. We especially want to thank Dr. Andras Nabradi at the University of Debrecen for your valuable insight, encouragement, knowledge, suggestions, and friendship.

We 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 also want 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 [freddavid9@gmail.com](mailto:freddavid9@gmail.com), or write him at P.O. Box 8139, Ocean Isle Beach, NC 28469. We sincerely appreciate and need your input to continually improve this text in future editions. Your willingness to draw our attention to specific errors or deficiencies in coverage or exposition will especially be appreciated.

Thank you for using this text.

—Fred R. David

—Forest R. David

—Meredith E. David

Fred, Forest, and Meredith would like to dedicate the 18th edition of this textbook to the matriarch of the family, Fred's wife of 45 years and Forest and Meredith's mom—Joy H. David. Thank you Joy for supporting our book-writing activities for many years and for providing unending encouragement to us.



Joy H. David



## About the Authors

Fred has been lead author of this textbook for nearly four decades. This text is a global leader in the field of strategic management providing an application, practitioner-oriented approach to the discipline. About 500 colleges and universities have used this textbook that is translated into numerous languages and widely used globally. With a PhD in management from the University of South Carolina, Dr. Fred David is currently Professor Emeritus of Strategic Planning at Francis Marion University in Florence, South Carolina. He has published more than 100 academic journal articles and cases.



**Fred R. David**

Dr. Forest David has been a coauthor on this textbook for the 15th, 16th, 17th, and 18th editions, sole author of the *Case Instructors Manual* for the last eight editions, and sole developer of the free Excel Strategic Planning Template found on the author website ([www.strategyclub.com](http://www.strategyclub.com)). Holding a PhD from the University of Debrecen in Hungary, Forest has taught management classes at Mississippi State University, Campbell University, Francis Marion University, the University of Debrecen, and Partium Christian University in Romania. Currently employed as a full-time Visiting Professor of Management at Lenoir Rhyne University in Hickory, North Carolina, Forest has nearly a hundred business journal articles, presentations, and case publications. Forest is a licensed United States Coast Guard Master's Captain and takes people on boating charters part-time during Summers.



**Forest R. David**

Meredith holds a PhD in business administration from the University of South Carolina and an MBA Degree from Wake Forest University. Dr. Meredith David is currently a tenured associate professor of marketing at Baylor University in Waco, Texas, where she recently received the prestigious Young Researcher Award. She has published more than 50 articles, cases, and papers on marketing and strategic management in journals such as the *Journal of Business Research*, *Journal of Advertising*, *Journal of Strategic Marketing*, *European Journal of Marketing*, and *Business Horizons*. Meredith has traveled the world over as a professor and student, including teaching strategic management at Jiao Tong University in Shanghai, China. In her career, Meredith has traveled to Australia, Canada, China, Costa Rica, Curacao, England, France, Germany, Hungary, Iceland, Indonesia, Ireland, Japan, Lebanon, Macau, Malaysia, Mexico, Peru, Portugal, Romania, Taiwan, and Thailand.



**Meredith E. David**

Fred R. David, Forest R. David, and Meredith E. David are a father–son–daughter team that has published scores of articles in top journals 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*. Six recent journal articles by the authors, listed here, are changing the way strategic management courses are taught.

David, Meredith E., Fred R. David, and Forest R. David, “Testing and Enhancing a Pivotal Organizational Structure Decision-Making Model,” *International Journal of Strategic Decision Sciences* 12, no. 2 (2021): 1–19.

David, Meredith E., Fred R. David, and Forest R. David, “Closing the Gap Between Graduates’ Skills and Employers’ Requirements: A Focus on the Strategic Management Capstone Business Course,” *Administrative Sciences* 11, no. 1 (2021): 10–26.

David, Forest R., Meredith E. David, and Fred R. David, “A New and Improved Organizational Structure Decision-Making Model,” *SAM Advanced Management Journal* 85, no. 4 (2020): 1–9.

David, Forest R., Meredith E. David, and Fred R. David, “Business Curricula: Coverage of Employability Skills in a Strategic Management Course,” *SAM Advanced Management Journal* 85, no. 1 (2020): 1–12.

David, Fred R., Steven Creek, and Forest R. David, “What Is the Key to Effective SWOT Analysis? Including AQCD Factors,” *SAM Advanced Management Journal* 84, no. 1 (2019): 25–36.

David, Meredith E., Fred R. David, and Forest R. David, “The Quantitative Strategic Planning Matrix: A New Marketing Tool,” *Journal of Strategic Marketing* 25, no. 4 (2017): 342–52.

