

GLOBAL
EDITION



STRATEGIC MANAGEMENT

A Competitive Advantage Approach
Concepts and Cases



17th
Edition



Fred R. David, Forest R. David,
and Meredith E. David

STRATEGIC MANAGEMENT Concepts and Cases

A COMPETITIVE ADVANTAGE APPROACH

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STRATEGIC MANAGEMENT

Concepts and Cases

A COMPETITIVE ADVANTAGE APPROACH

Fred R. David

Francis Marion University
Florence, South Carolina

Forest R. David

Strategic Planning Consultant
Ocean Isle Beach, North Carolina

Meredith E. David

Baylor University
Waco, Texas



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Preface

New to This Edition

With this edition we have updated 40 percent of the chapter material, 11 end-of-chapter mini-cases, and virtually all new examples in the chapters. Specifically, new material includes the following items outlined in this section.

Chapter 1 Cohesion Case on Coca-Cola Company (2018)

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

Mini-Cases

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: Tesla, Inc.
- Chapter 2: Ford Motor Company
- Chapter 3: Sam's Club
- Chapter 4: Procter & Gamble (P&G)
- Chapter 5: Facebook, Inc.
- Chapter 6: Boston Consulting Group
- Chapter 7: De Beers Group
- Chapter 8: Hasbro, Inc.
- Chapter 9: TJX Companies, Inc.
- Chapter 10: Chick-fil-A
- Chapter 11: Lynk & Company

Chapter Capsules—All NEW


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

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.

THE COHESION CASE




Coca-Cola Company, 2018

BY FRED R. DAVID
www.coca-cola.com, KO

Headquartered in Atlanta, Georgia, Coca-Cola Company (Coke) is the world's largest producer and distributor of beverages, marketing over 500 nonalcoholic brands in more than 200 countries. Coke has 21 billion-dollar brands, 19 of which are available in lower- and no-sugar options. Four of the top five beverages sold globally are Coke products: 1) Coca-Cola, 2) Diet Coke, 3) Fanta, and 4) Sprite. Other Coke products include Dasani waters, Fanta, Gold Peak teas and coffees, Honest Tea, Powerade sports drinks, Simply juices, Glaceau Smartwater, Sprite, and Zico coconut water. However, company's revenues for 2017 declined 15 percent, so rumblings are spreading within the firm.

MINI-CASE ON THE BOSTON CONSULTING GROUP

WHAT AMERICAN FIRM HELPS THE MOST COMPANIES DO STRATEGIC PLANNING?



The answer to the question posed above might be the Boston Consulting Group (BCG) headquartered in Boston, Massachusetts. A worldwide management-consulting firm founded in 1963, BCG had revenues of \$6.3 billion in 2017 and more than 16,000 employees. BCG's President and CEO is Rich Lesser. BCG was ranked third among *Fortune's* “100 Best Companies to Work For” in 2017 and was ranked first among *Consulting Magazine's* 2016 “Best Firms to Work For.”

In formulating strategies, some firms use BCG's Advantage Matrix to portray on the x-axis the “size of a firm's competitive advantage (Low versus High)” and on the y-axis “the number of approaches a firm can use to achieve competitive advantage (Low versus High).” Based on these two axes, strategic implications for firms located in one of four quadrants can be labeled, according to BCG, as: Fragmented, Specialization, Volume, and Stalemate, as illustrated below:

EXEMPLARY STRATEGIST SHOWCASED

Anthony Wood, Founder and CEO of Roku, Inc.

Anthony Wood, who started Roku in 2002, might be the next Steve Jobs or Mark Zuckerberg, serious entrepreneur who provides media players, in Los Gatos, California. Roku own special operating system the United States are power market share is growing need biggest rival, Roku relies so ers, Roku does not make its

ETHICS CAPSULE 10

TOMS Shoes, Inc.: Shoes Are Magic, Put Shoes on Every Child on the Planet



pective shoe or pair of sunglasses purchased. Another key tenet of TOMS' business model is its nonprofit foundation, Friends of TOMS, which organizes and leads several meaningful service activities, including the One Day Without Shoes initiative aimed at raising global awareness of health risks associated with not wearing shoes. Supporters of TOMS have the opportunity to volunteer for service trips to countries where the company's donations will be distributed to local communities in need. On their website, www.tomscampusprograms.com, TOMS provides students with information related to how they too can become involved with the

GLOBAL CAPSULE 6

India's Economy Is Booming



For fiscal 2017–2018, India's gross domestic product (GDP) grew to 7.2 percent, one of the highest national growth rates on the planet. India has recently implemented many business-friendly reforms such as the Goods and Services Tax (GST) on July 1, 2017, that merged nearly all existing taxes into a single system of taxation. India's population of 1.224 billion (versus 265.5 million in the United States) is mostly a middle class willing to spend money in the most populated democratic country in the world. India's economy is

ruling on October 18, 2017, that “sexual intercourse with a girl below 18 years of age is rape regardless of whether she is married or not.” This legal change is intended to prevent thousands of older men marrying 13- to 16-year-old girls that heretofore had commonly occurred in India. The number of female employees in Indian companies increased by 5 percent in 2017, compared to the previous year, moving the overall percentage representation of women in Indian companies to 30.55 percent.

Should Your Firm Be Doing Business in India?

Chapter	Exemplary Strategist Capsules focus on the following people:	Global Capsules focus on the following topics:	Ethics Capsules address the following issues:
1	Legendary Coach of the Green Bay Packers—Vince Lombardi	Mobike: Global Bike Renting Takes off Like a Jet Plane	What Ethics Variable Is Most Important in Doing Business?
2	CEO and Founder of FedEx Corporation—Frederick Smith	LinkedIn: Clear Core Values, Vision, and Mission Lead to Global Prominence	Facebook: Changing Our Mission to Enhance Our Ethics and Integrity
3	CEO and Cofounder of Pinterest—Ben Silbermann	What Company Is Growing Fastest Globally?	Preserve Alaska Wildlife or Boost Alaska Economy?
4	CEO and Cofounder of Tesla and SpaceX—Elon Musk	Bitcoin: The New Global Currency	The Sagebrush Lizard versus the Big Oil Man
5	CEO of Apple, Inc.—Tim Cook	How Can a Firm Determine Where to Initiate New Business? Use GDP as a Guide	Are CEOs Less Ethical Today Than in the Past?
6	CEO of Hobby Lobby—David Green	India's Economy Is Booming	As We Strategize We Must Not Jeopardize Animal Welfare
7	Former CEO of PepsiCo—Indra Nooyi	Four Guidelines to Follow in Global Marketing	Do Firms Need a Policy against Workplace Phubbing?
8	CEO of JPMorgan Chase, Jamie Dimon	The Least (and Most) Corrupt Countries in the World for Doing Business	Projected Financial Statement Manipulation
9	CEO and Founder of Roku Inc.—Anthony Wood	What Country's New Strategy Is Called "Vision 2030"?	Achieving Exemplary Business Ethics through Exemplary Transparency
10	CEO (former) and Chairman of Microsoft—Bill Gates	India Is Turning Garbage into Cash	TOMS Shoes, Inc.: Shoes Are Magic, Put Shoes on Every Child on the Planet
11	CEO of Philip Morris International—Andre Calantzopoulos	China Aims for Superiority in Quantum Computing	Which Two U.S.-Based Airlines Are Worst on Customer Service?

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

Set 1: Strategic Planning for Coca-Cola—25 exercises apply chapter material to the Coca-Cola 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—SWOT analysis is introduced; the integrative comprehensive strategic-management model is repositioned to the opening page of each chapter; the model is enhanced to accent the process of strategic planning being fluid rather than merely a sequence of silo activities.

Chapter 2: BUSINESS VISION AND MISSION—new material is provided on core value statements; new examples abound throughout.

Chapter 3: THE EXTERNAL ASSESSMENT—new material is provided on Porter's Five-Forces Model; more guidance is provided regarding how to assign weights and ratings in matrices; new examples abound throughout; the ratings for a Competitive Profile Matrix now match the EFE Matrix in form and meaning.

- Chapter 4: THE INTERNAL ASSESSMENT—this chapter has been revamped and shortened; the marketing material is enhanced; new examples abound throughout; the ratings for an IFE Matrix now match the EFE Matrix ratings in form and meaning.
- Chapter 5: STRATEGIES IN ACTION—new material includes Blue Ocean Strategy, Value Chain Analysis, Porter’s Two Generic Strategies, and the need for firms to “BUILD, BORROW, or BUY.”
- Chapter 6: STRATEGY ANALYSIS AND CHOICE—the presentation of this chapter that includes SWOT, BCG, IE, SPACE, GRAND, and QSPM analyses is enhanced and shortened; two new pages reveal how to estimate costs of recommendations.
- Chapter 7: IMPLEMENTING STRATEGIES: MANAGEMENT AND MARKETING ISSUES—the title of this chapter changed to reflect new marketing material; our new coauthor is a marketing professor at Baylor University; this chapter is fully updated and enhanced, especially with new target marketing, segmentation, and positioning analyses.
- Chapter 8: IMPLEMENTING STRATEGIES: FINANCE AND ACCOUNTING ISSUES—the title of this chapter changed since marketing material moved; 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 P&G is provided; numerous author comments are given regarding the strategic planning template at www.strategyclub.com.
- Chapter 9: STRATEGY EVALUATION AND GOVERNANCE—the title of this chapter changed due to excellent new material on corporate governance being presented.
- Chapter 10: BUSINESS ETHICS, ENVIRONMENTAL SUSTAINABILITY, AND CORPORATE SOCIAL RESPONSIBILITY—this chapter provides updated and new coverage of ethics, workplace romance, hiring away rival firms’ employees, wildlife welfare, and sustainability. This text reveals why “good ethics is good business” and why this is a strategic issue. The sustainability discussion is improved to promote and encourage firms to conduct operations with respect for the environment, an important concern for consumers, companies, society, and AACSB.
- 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.
- Part 6: STRATEGIC MANAGEMENT CASE ANALYSIS—this section that follows all chapters has been totally rewritten to be more concise and revealing for students performing case analysis.

22 Author-Created Video Assignments in the MyLab

We have added 11 videos introducing the content of each chapter and 11 videos discussing a variety of important topics such as mission statement delivery, BCG matrix, corporate evaluation, etc. created by the author. Each video is associated with multiple-choice questions to help students assess their learning.

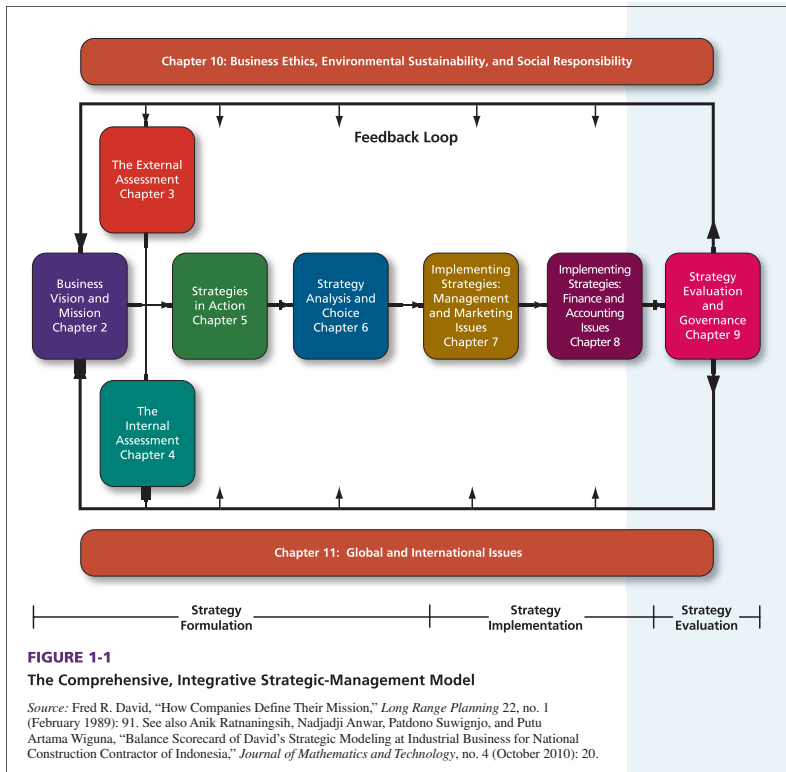
Solving Teaching and Learning Challenges

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 unfolding 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.

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. 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.

The New Concepts-by-Cases Matrix

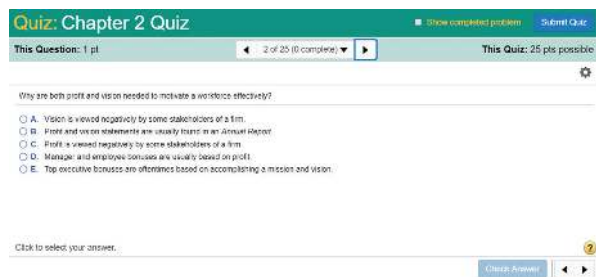
All 30 cases facilitate coverage of all strategy concepts, but as revealed by shaded cells, some cases especially exemplify particular key strategy concepts. The shaded cells reveal which concepts are tested with multiple-choice questions in the MyLab. The Concepts-by-Cases matrix enables professors to effectively utilize different cases to assure student learning of various chapter concepts. Note from the shaded 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.

The Case MyLab Testing Feature

The Concepts-by-Cases matrix facilitates student learning of 30 key strategic-management concepts applied to 30 cases. The Case MyLab Testing feature assures that the students can test their understanding of cases and the key strategic-management concepts, thus serving as a great mechanism for professors to achieve AACSB Assurance-of-Learning Objectives. This new testing feature simplifies grading for professors in both traditional and online class settings.

This MyLab assessment includes 25 multiple-choice questions for each case, comprising 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. The 15 *Applied* questions are presented in three sets of five that pertain to key concepts of particular importance for the respective 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 Domino's Pizza headquartered? Whereas a MyLab case *Applied* question may be: What are three aspects of the organizational chart given in the Domino's Pizza case that violate strategic-management guidelines?

The **Chapter Warm-up** assessment helps you hold your students accountable for **READING** and demonstrating their knowledge on key concepts in each chapter before coming to class.



Chapter Quizzes

Every chapter has quizzes written by the textbook authors so you can assess your students’ understanding of chapter learning objectives.

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.

In addition, we offer more coverage on important topics, such as business ethics, social responsibility, and sustainability, 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.

We also offer more coverage of global/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.

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.

Developing Employability Skills

Using this text, students learn how to actually do strategic planning—this is a huge 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 strategic-planning template at the www.strategyclub.com author website; many students include this skill on their resume to showcase their experience using this Excel software commonly used by businesses for doing actual strategic planning.

Instructor Teaching Resources

The following supplements are available with this text:

Supplements available to instructors at www.pearsonglobaleditions.com	Features of the Supplement
<p>Chapter Instructor’s Resource Manual authored by Forest David</p>	<ul style="list-style-type: none"> • Chapter-by-chapter summaries • Chapter Outlines with teaching tips • Answers to end-of-chapter Review Questions • Answers to the end-of-chapter Assurance-of-Learning Exercises • Answers to the end-of-chapter two Mini-Case Questions • Examples and activities not in the main book
<p>Case Instructor’s Manual authored by Forest David</p>	<ul style="list-style-type: none"> • Case abstract followed by a complete strategic plan for the firm • Vision and mission statements • External and internal assessments with ratio analyses • Analyses that include SWOT, BCG, IE, SPACE, GRAND, QSPM • Recommendations and projected financial statements
<p>Test Bank authored by Ramachandran Subramanian from Stetson University</p>	<p>Over 1,500 multiple-choice and true/false questions with these annotations:</p> <ul style="list-style-type: none"> • Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis) • Type (multiple-choice, true/false, and essay questions) • Learning Objective (the concept the question supports) • AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge)

Supplements available
to instructors at www.pearsonglobaleditions.com

Features of the Supplement

Computerized TestGen

TestGen allows instructors to:

- Customize, save, and generate classroom tests
 - Edit, add, or delete questions from the Test Item files
 - Analyze test results
 - Organize a database of tests and student results.
-

PowerPoint Presentation
authored by Ramachandran
Subramanian from Stetson
University

PowerPoints meet accessibility standards for students with disabilities. Features include, but are not limited to:

- Keyboard and Screen Reader access
 - Alternative text for images
 - High color contrast between background and foreground colors
 - Image Library includes graphs, tables, and equations.
-

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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. Thank you also Dr. Yajiang Wang at Hebei University for your emails to us regarding the weights versus ratings in an IFE Matrix.

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, and Francis Marion University. 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 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 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, 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 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

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About the Authors

Fred R. David, Forest R. David, and Meredith E. David are a father–son-daughter team that have published more than 50 articles in 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 below, are changing the way strategic-management courses are taught.

David, Meredith E. and Fred R. David, “Strategic Planning for Individuals: A Proposed Framework and Method,” *SAM Advanced Management Journal*, (Winter 2018).

David, Fred R., Meredith E. David, and Forest R. David, “The Integration of Marketing Concepts in Strategic Management Courses: An Empirical Analysis,” *SAM Advanced Management Journal*, (Winter 2017).

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David, Fred R., Forest R. David, and Meredith E. David, “Benefits, Characteristics, Components, and Examples of Customer-Oriented Mission Statements,” *International Journal of Business, Marketing, and Decision Sciences (IJBMDs)*, 9, no. 1, (Fall 2016), pp. 1–14.

David, Meredith E., Fred R. David, and Forest R. David, “The Quantitative Strategic Planning Matrix: A New Marketing Tool,” *Journal of Strategic Marketing*, 3, (April 2016), pp. 1–11.

David, Meredith E. and Fred R. David, “Are Key Marketing Topics Adequately Covered in Strategic Management?” *Journal of Strategic Marketing*, 24, (March 2016), pp. 1–13.

Fred has been lead author of this textbook for three decades. This text is a global leader in the field of strategic management providing an applications, practitioner-approach to the discipline. About 500 colleges and universities currently use this textbook across about 20 countries. With a Ph.D. in Management from the University of South Carolina, Dr. David is currently the TranSouth Professor 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

Forest has been sole author of the *Case Instructor’s Manual* for seven editions of this textbook. This *Manual* provides extensive teachers’ notes (solutions) for all the cases. Forest has also been sole author of the *Chapter Instructor’s Manual*, Case MyLab, and Chapter MyLab ancillaries, as well as the free Excel Student Template found on the author website (www.strategyclub.com). Forest has published more than 80 strategic management cases, articles, and papers. He has taught strategic-management courses at Mississippi State University and Francis Marion University, and management courses at Campbell University.



Forest R. David

Meredith holds a Ph.D. in Business Administration from the University of South Carolina and an MBA Degree from Wake Forest University. She is currently an Assistant Professor of Marketing at Baylor University in Waco, Texas. She has published more than 30 articles, cases, and papers on marketing and strategic management in such journals as *Journal of Consumer Behavior*, *Journal of Advertising*, *Journal of Strategic Marketing*, *European Journal of Marketing*, and *Journal of Business Research*. Meredith has traveled the world over as a professor and student. Meredith recently received the prestigious Young Researcher Award in the Hankamer School of Business at Baylor University, and taught strategic management at Jiao Tong University in Shanghai, China.



Meredith E. David

STRATEGIC MANAGEMENT Concepts and Cases

A COMPETITIVE ADVANTAGE APPROACH

