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STRATEGIC MANAGEMENT

Concepts

A COMPETITIVE ADVANTAGE APPROACH

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**FIFTEENTH
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STRATEGIC MANAGEMENT

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A COMPETITIVE ADVANTAGE APPROACH

GLOBAL EDITION

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Welcome Forest, and Thank You:

- For joining me as a coauthor on this 15th edition
- For publishing many strategic management papers and articles with me and other authors
- For your wise strategic-management counsel over many years as this textbook has evolved
- For assisting students for many years through the Strategy Club (www.strategyclub.com) that now also offers your free Excel Student Template
- For developing an outstanding Case MyLab testing feature for this edition
- For preparing the *Chapter Instructor's Manual* for this edition

Preface

Why Adopt This Text?

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

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

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

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

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

A recent reviewer of this textbook says:

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

New Chapter Features

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

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

Time-Tested Features

1. This text meets all AACSB-International guidelines that support a practitioner orientation rather than a theory/research approach. This text offers a skills-oriented process for developing a vision and mission statement; performing an external audit; conducting an internal assessment; and formulating, implementing, and evaluating strategies.
2. The author’s writing style is concise, conversational, interesting, logical, lively, and supported by numerous current examples.
3. A simple, integrative strategic-management model appears in all chapters and on the inside front cover. The model is widely used by strategic planning consultants and companies worldwide.
4. An exciting, updated Cohesion Case on adidas AG follows Chapter 1 and is revisited at the end of each chapter, allowing students to apply strategic-management concepts and techniques to a real company as chapter material is covered, thus preparing students for case analysis as the course evolves.
5. End-of-chapter Assurance of Learning Exercises apply chapter concepts and techniques in a challenging, meaningful, and enjoyable manner.
6. There is excellent pedagogy, including learning objectives opening each chapter and key terms, current readings, discussion questions, and assurance of learning exercises ending each chapter.
7. There is excellent coverage of strategy formulation issues, such as business ethics, global versus domestic operations, vision and mission, matrix analysis, partnering, joint venturing, competitive analysis, value chain analysis, governance, and matrices for assimilating and evaluating information.
8. There is excellent coverage of strategy implementation issues such as corporate culture, organizational structure, outsourcing, marketing concepts, financial analysis, business ethics, whistleblowing, bribery, pay and performance linkages, and workplace romance.

9. A systematic, analytical “process” is presented that includes nine matrices: IFEM, EFEM, CPM, SWOT, BCG, IE, GRAND, SPACE, and QSPM.
10. Both the chapter material and case material is published in four colors.
11. For the chapter material, an outstanding ancillary package includes a comprehensive Instructor’s Manual, Test Bank, TestGen, and Chapter PowerPoints.

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Marymount University—Arlington
Medgar Evers College
Medical Careers Institute/Newport News

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Mercer University—Macon
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Miami-Dade College—North
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Texas A&M—San Antonio
Texas Tech University
The College of St. Rose
The Masters College
Tri-County Technical College
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University of Mobile
University of Montevallo
University of Nebraska—Omaha
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University of South Florida
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University of Tampa
University of Texas—Pan American
University of The Incarnate Word
University of Toledo
Upper Iowa University
Valley City State University
Virginia Community College System
Virginia State University
Virginia Tech
Wagner College
Wake Forest University
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We want to thank you, the reader, for investing the time and effort to read and study this text. It will help you formulate, implement, and evaluate strategies for any organization with which you become associated. We hope you come to share our enthusiasm for the rich subject area of strategic management and for the systematic learning approach taken in this text. We want

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

Thank you for using this text.

Fred R. David and Forest R. David

Pearson would also like to thank and acknowledge Ivan Ninov, The Emirates Academy of Hospitality Management, and Aykut Arslan, Haliç Üniversitesi, for reviewing the Global Edition.

About the Authors

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

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

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



Fred R. David



Forest R. David

The Case Rationale

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

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

Case MyLab Testing Feature

New to this edition is an enhanced MyLab with some new cases that include gradeable outcomes. This feature assures that the cases are excellent for testing student learning of the key strategic-management concepts, thus serving as a great mechanism for professors to achieve AACSB's Assurance of Learning Objectives. This new testing feature simplifies grading for professors in both traditional and online class settings.

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

Case Information Matrix

List of cases available in the Concepts and Cases version of *Strategic Management: A Competitive Advantage Approach*

Case Company	Stock Symbol	Headquarters	URL	Number of Employees	Financials (US\$, millions)			Case Year
					Profit	Revenue	%	
COHESION CASE								
adidas Group	ADS	Herzogenaurach, Germany	www.adidas.com	46,300	1,599	19,558	8.2 ⁱ	2013
SERVICE FIRMS								
Ryanair Holdings, plc	RYAAY	Dublin, Ireland	www.ryanair.ie	7,200	413	4,043	10.2	2011
The Emirates Group	n/a	Garhoud, Dubai, UAE	www.theemiratesgroup.com	67,000	986	20,934	4.7 ⁱⁱ	2013
United Parcel Service, Inc.	UPS	Atlanta, GA, USA	www.ups.com	399,000	869	12,124	7.2	2013
Amazon.com, Inc.	AMZN	Seattle, WA, USA	www.amazon.com	33,700	1,152	34,204	3.3	2011
Netflix, Inc.	NFLX	Los Gatos, CA, USA	www.netflix.com	2,500	160	2,162	7.4	2011
Gap Inc.	GPS	San Francisco, CA, USA	www.gapinc.com	135,000	1,102	14,197	7.7	2011
Walt Disney Company	DIS	Burbank, CA, USA	www.disney.com	166,000	6,173	42,278	14.6	2013
Staples, Inc.	SPLS	Farmingham, MA, USA	www.staples.com	54,100	881	25,545	3.4	2011
Office Depot Inc.	ODP	Boca Raton, FL, USA	www.officedepot.com	41,000	34	11,633	0.3	2011
Domino's Pizza, Inc.	DPZ	Ann Arbor, MI, USA	www.dominos.com	10,000	112	1,678	6.7	2013
Royal Caribbean Cruises Ltd.	RCL	Miami, FL, USA	www.royalcaribbean.com	57,000	547	6,752	8.1	2011
Carnival Corporation & plc	CCL	Miami, FL, USA	www.carnivalcorp.com	85,200	1,978	14,469	13.6	2011
JPMorgan Chase & Co.	JPM	New York, NY, USA	www.jpmorganchase.com	240,000	21,284	97,031	21.9	2013