GLOBAL EDITION

Strategic Management and Business Policy

Globalization, Innovation and Sustainability

FIFTEENTH EDITION

Thomas L. Wheelen • J. David Hunger
Alan N. Hoffman • Charles E. Bamford

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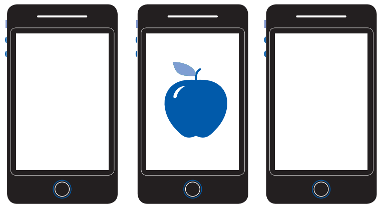

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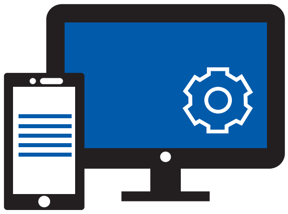

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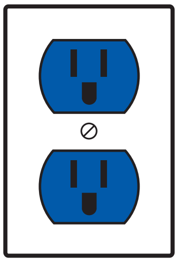

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GLOBALIZATION, INNOVATION, AND SUSTAINABILITY

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Media Production Manager, Global Edition: Vikram Kumar
Full-Service Project Management and Composition: SPi Global
Interior Design: SPi Global
Cover Art: kaband/Shutterstock

Acknowledgments of third-party content appear on the appropriate page within the text.

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Authorized adaptation from the United States edition, entitled Strategic Management and Business Policy: Globalization, Innovation, and Sustainability, 15th Edition, ISBN 978-0-13-452205-0 by Thomas L. Wheelen, J. David Hunger, Alan N. Hoffman, and Charles E. Bamford, published by Pearson Education © 2018.

ISBN 10: 1-292-21548-8
ISBN 13: 978-1-292-21548-8

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library

10 9 8 7 6 5 4 3 2 1

Typeset in Times Ten Lt Std by SPi Global
Printed and bound by Vivar in Malaysia

Dedicated to

TOM WHEELEN AND DAVID HUNGER

Tom originated this book in the late 1970s and with his friend David Hunger brought the first edition to fruition in 1982. What a ride it was! We lost both of these extraordinary men in rapid succession. After battling bone cancer, Tom died in Saint Petersburg, Florida, on December 24, 2011. David died in St. Joseph, Minnesota on April 10, 2014 after fighting cancer himself. It was Tom's idea from the very beginning to include the latest research and useful material written in such a way that the typical student could read and understand the book without outside assistance. That has been a key reason for the success of the book through its many editions. Tom and David worked in adjoining offices at the McIntire School of Commerce at the University of Virginia where their lifelong collaboration blossomed. Tom's last months were spent working with the two new co-authors to map out the direction for the 14th edition and we were fortunate to work with David through the early part of the 14th edition update until his fight against his cancer took priority. We thank you both and bid you a fond farewell! This 15th edition is for you!

Alan N. Hoffman
Charles E. Bamford

SPECIAL DEDICATION TO DAVID HUNGER

A special dedication in honor of David Hunger to his colleagues, friends, and students—

It is our hope and prayer that you found, and continue to find, some joy in your study of Strategic Management and Business Policy and, perhaps, experience a sense of the passion behind the subject matter presented in this textbook. It was originated by two men who were the best of friends and colleagues, Dr. Tom Wheelen (May 30, 1935 – December 24, 2011) and our Dad, Dr. J. David Hunger (May 17, 1941 – April 10, 2014). This will be the first edition we will see without a handwritten note in the front and a dedication to us all. Dad came alive discussing strategy, case management, theory, entrepreneurship, and the daily happenings in the field of management. Even relaxing at the end of the day, he could be found thumbing through a Business Week or journal. Colleagues always knew when he was in their presentations because he was fully engaged, offering questions and happy to share in an animated dialogue. Students speak fondly of being in his class. His dedication to the field never ended. Even up to a month before he died (still undergoing chemotherapy) he insisted on travelling by train from Minnesota to Chicago for a Case Research Conference to run a panel. We are so proud and thankful that Drs. Alan Hoffman and Chuck Bamford knew Tom and Dad and are carrying the torch forward. As his 4 daughters *and 6 grandchildren, we miss him daily. We lost him far too soon. Finally, our mom, Betty Hunger, who lived with the authorship of this textbook for three quarters of their 45 years together and joked that it was their 5th child, wishes to express just how much she misses Dad and looks forward to seeing him again.*

Betty, Kari and Jeff, Madison and Megan, Suzi and Nick, Summer and Kacey,
Lori and Derek, Merry and Dylan, and Edan and Greyson.

We love you David/Dad/GrandDad.

To Will Hoffman, the greatest son in the world…. and to our saint Wendy Appel.
…. and to Jodi L. Silton, thank you for your kindness and understanding.

Alan Hoffman

To Yvonne, for your support, advice, encouragement, love, and confidence. To my children Ada, Rob, and Sean and my grandchildren Silas, Isaac, and Clara.

Chuck Bamford

Brief Contents

Contents

Preface

Welcome to the 15th edition of *Strategic Management and Business Policy*! All of the chapters have been updated and we have added one new chapter on Global Strategy. In addition, we have added 13 brand-new cases (**Target, American Red Cross, Sonic Restaurants, Harley Davidson, Staples, Chipotle, Uber, Pandora Internet Radio, Snap-on Tools, Google, Pepsi, Town Sports International, and JC Penney**). Many of the cases are exclusive to this edition! Although we still make a distinction between full-length and mini cases, we have interwoven them throughout the book to better identify them with their industries.

The theme that runs throughout all 13 chapters of this edition continues our view from the 14th edition that there are three strategic issues that comprise the cornerstone all organizations must build upon to push their businesses forward. Those are ***globalization, innovation, and sustainability***. Each chapter incorporates specific vignettes about these three themes. We strive to be the most comprehensive and practical strategy book on the market, with chapters ranging from corporate governance and social responsibility to competitive strategy, functional strategy, and strategic alliances.

FEATURES NEW TO THIS 15TH EDITION

This edition of the text has:

- A completely new Chapter (9) on Global Strategy. While we discuss globalization in every chapter of the book, including a Global Issues section in each chapter, we have called out a stand-alone chapter to address the key issues of entry, international coordination, stages of international development, international employment, and measurement of performance.
- New and updated vignettes on sustainability (which is widely defined as business sustainability), globalization (which we view as an expectation of business), and innovation (which is the single most important element in achieving competitive advantage) appear in every chapter of the text.
- Every example, chapter opening, and story has been updated. This includes chapter opening vignettes examining companies such as: Tesla, Pizza Hut, UNIQLO, Kärcher, Purbani Group, and United Airlines among many others.
- Resource-based analysis and more specifically the VRIO framework (Chapter 5) has been added to the toolbox of students' understanding of core competencies and competitive advantage with a significant addition of material and a practical example.

- Extensive additions have been made to the text from both strategy research and practical experience.
- Thirteen new comprehensive cases have been added to support the 14 popular full-length cases and 6 mini-cases carried forward from past editions. Of the 33 cases appearing in this book, 19 are exclusive and do not appear in other books.
- One of the new cases deals with privacy (**Google and the Right to Be Forgotten**).
- One of the new cases deals with governance (**American Red Cross**).
- One of the new cases deals with conscious capitalism (**Chipotle**).
- Two of the new cases deal with international issues (**Uber**, **Harley Davidson**).
- One of the new cases involves Internet companies (**Pandora Internet Radio**).
- One of the new cases deals with Sports and Leisure (**Town Sports Int'l**).
- One of the new cases deals with Apparel (**J.C. Penney**).
- Three of the new cases deal with Food and Beverages (**Pepsi, Sonic Restaurants**).
- Two of the new cases deal with Retailing (**Target, Staples**).
- One of the new cases deals with Manufacturing (**Snap-on Tools**).

HOW THIS BOOK IS DIFFERENT FROM OTHER STRATEGY TEXTBOOKS

This book contains a **Strategic Management Model** that runs through the first 12 chapters and is made operational through the **Strategic Audit**, a complete case analysis methodology. The Strategic Audit provides a professional framework for case analysis in terms of external and internal factors and takes the student through the generation of strategic alternatives and implementation programs.

To help the student synthesize the many factors in a complex strategy case, we developed three useful techniques:

- **The External Factor Analysis (EFAS) Table in Chapter 4**
- This reduces the external opportunities and threats to the 8 to 10 most important external factors facing management.
- **The Internal Factor Analysis (IFAS) Table in Chapter 5**
- This reduces the internal strengths and weaknesses to the 8 to 10 most important internal factors facing management.
- **The Strategic Factor Analysis Summary (SFAS) Matrix in Chapter 6**
  This condenses the 16 to 20 factors generated in the EFAS and IFAS tables into the 8 to 10 most important (strategic) factors facing the company. These strategic factors become the basis for generating alternatives and act as a recommendation for the company's future direction.

Suggestions for case analysis are provided in **Appendix 13.B (end of Chapter 13)** and contain step-by-step procedures on how to use a strategic audit in analyzing a case. This appendix includes an example of a student-written strategic audit. Thousands of students around the world have applied this methodology to case analysis with great success. ***The Case Instructor's Manual*** contains examples of student-written strategic audits for each of the full-length comprehensive strategy cases.