

GLOBAL
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Strategic Management and Business Policy

Globalization, Innovation and Sustainability

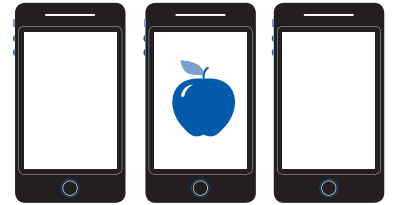
FIFTEENTH EDITION

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



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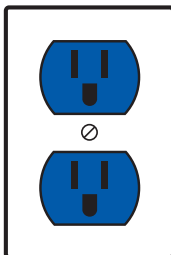
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FIFTEENTH EDITION
GLOBAL EDITION

Strategic Management and Business Policy

GLOBALIZATION, INNOVATION,
AND SUSTAINABILITY

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Dedicated to

TOM WHEELLEN 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

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SECTION A Executive Leadership

CASE 1 The Recalcitrant Director at Byte Products, Inc.: Corporate Legality versus Corporate Responsibility 1-7

(Contributors: Dan R. Dalton, Richard A. Cosier, and Cathy A. Enz)

A plant location decision forces a confrontation between the board of directors and the CEO regarding an issue in social responsibility and ethics.

CASE 2 The Wallace Group 2-1*(Contributor: Laurence J. Stybel)**Managers question the company's strategic direction and how it is being managed by its founder and CEO. Company growth has resulted not only in disorganization and confusion among employees, but in poor overall performance. How should the board deal with the company's founder?***SECTION B** Business Ethics**CASE 3** Everyone Does It 3-1*(Contributors: Steven M. Cox and Shawana P. Johnson)**When Jim Willis, Marketing VP, learns that the launch date for the company's new satellite will be late by at least a year, he is told by the company's president to continue using the earlier published date for the launch. When Jim protests that the use of an incorrect date to market contracts is unethical, he is told that spacecraft are never launched on time and that it is common industry practice to list unrealistic launch dates. If a realistic date was used, no one would contract with the company.***CASE 4** The Audit 4-1*(Contributors: Gamewell D. Gantt, George A. Johnson, and John A. Kilpatrick)**A questionable accounting practice by the company being audited puts a new CPA in a difficult position. Although the practice is clearly wrong, she is being pressured by her manager to ignore it because it is common in the industry.***SECTION C** Corporate Governance and Social Responsibility**CASE 5** Early Warning or False Sense of Security? Concussion Risk and the Case of the Impact-Sensing Football Chinstrap 5-1*(Contributors: Clifton D. Petty, and Michael R. Shirley)**In 2009, Battle Sports Science, headquartered in Omaha, Nebraska, was built with a focus on "enhancing safety for athletes." Specifically, the company wanted to protect young athletes who might have suffered a concussion. Battle Sports Science attempted to gain market attention for its US\$149.99 impact indicator (chin strap) through endorsements, and had enlisted a number of NFL players. The company hoped to sell the device to sports programs (schools) as well as to individual players.***CASE 6** The Storm of Governance Reform at the American Red Cross 6-1*(Contributors: Jill A. Brown and Anne Anderson)**In early 2006, a U.S. Senate Finance Committee began investigating the American Red Cross following substantial concerns over the governance effectiveness of the organization and its Board of Governors. This investigation was prompted by concerns over Hurricane Katrina relief efforts, as well as governance concerns regarding the structure and processes of the ARC Board. Consequently, the Finance Committee appointed an Independent Governance Advisory Panel to provide recommendations regarding how to overhaul the American Red Cross Board of Governors.***new****CASE 7** Chipotle Mexican Grill, Inc.: Conscious Capitalism by Serving "Food With Integrity" 7-1*(Contributor: Alan N. Hoffman)**People loved Chipotle Mexican Grill because of the tasty and healthy food as well as its edgy, trendy, cool brand image. Chipotle established itself as a successful company practicing "conscious capitalism" by serving "food with integrity"—its supply chain and corporate culture were closely integrated from the time that ingredients were farmed, raised, harvested, and shipped to stores to the time the final product was placed on a customer's serving tray. By 2014, the fast***new**

casual food market in the US became increasingly competitive and crowded with many new entrants. Being a public listed company, Chipotle had to meet Wall Street's high expectations of growth and earnings. Living up to analysts' expectations was becoming increasingly difficult for Chipotle.

SECTION D Privacy

CASE 8 Google and the Right to Be Forgotten 8-1

(Contributor: Cynthia E. Clark)

In 2009, Mario Costeja Gonzalez, a self-employed attorney casually “googled” himself and was startled by what came up on his computer screen. Prominently displayed in the search results was a brief legal notice that had appeared more than a decade earlier in a local newspaper, which listed property seized and being auctioned by a government agency for nonpayments of debts. Costeja immediately realized that this information could damage his reputation as an attorney and decided to fight Google to request deletion of that data.

new

SECTION E International Issues in Strategic Management

CASE 9 Harley Davidson: An Overreliance on Aging Baby Boomers 9-1

(Contributors: Alan N. Hoffman and Natalia Gold)

At Harley Davidson, customers not only purchased a motorcycle, they bought the “rebel” lifestyle Harley signified. This rebel image took a long time to develop and constituted a major competitive advantage for Harley. Nothing promised the same excitement as being on the open road on a Harley, its engine roaring, the wind whipping, the great open spaces of America just down the road. Harley Davidson specifically targeted a narrowly defined market of middle-aged males with disposable income. However, as US baby boomers got older, the company recognized that it had to look to new markets and demographics to expand sales.

new

CASE 10 Uber: Feeling the Heat from Competitors and Regulators Worldwide 10-1

(Contributors: Alan N. Hoffman and Natalia Gold)

Uber, originally known as “UberCab,” was started by Travis Kalanick and Garrett Camp in San Francisco, California, in 2009. The company grew rapidly and by 2015 it was providing carpooling services in 300 major cities in 58 countries around the world. As Uber moved forward into new territories, however, it got entangled in many regulatory and legal hassles. The company had to figure out how to sustain its lead in the heavily regulated, controversial, competitive, and ever-changing taxi industry. Moreover, despite a landslide market share Uber was operating at a loss. How to lower costs and become profitable was another challenge for this young and aggressive company.

new

SECTION F General Issues in Strategic Management

INDUSTRY ONE: INTERNET COMPANIES

CASE 11 Pandora Internet Radio (2014): Just Press Play 11-1

(Contributors: Gary Stenftennagel and Joyce Vincelette)

Pandora Media was built around the idea of providing listeners with only the music that they love. To do so, Pandora fundamentally changed how people listened to music by allowing station customization and the ability to listen to music over the Internet. As technology changed, Pandora evolved from a Web site based radio provider and developed a mobile application where the company could offer its services to customers whenever and wherever they wanted to listen to music. Monetizing the mobile product proved to be difficult and Pandora had not yet attained profitability.

new

CASE 12 Amazon.com, Inc.: Retailing Giant to High-Tech Player? 12-1*(Contributor: Alan N. Hoffman)*

In 2012, more than half of all Amazon sales came from computers, mobile devices including the Kindle, Kindle Fire, and Kindle Touch, and other electronics, as well as general merchandise from home and garden supplies to groceries, apparel, jewelry, health and beauty products, sports and outdoor equipment, tools, and auto and industrial supplies. Amazon was at a crossroads with regard to its push into technology versus its general merchandise. Amazon also faced other challenges, including those from state governments that wanted it to collect sales taxes so it would not adversely compete against local businesses.

CASE 13 Blue Nile, Inc.: “Stuck in the Middle” of the Diamond Engagement Ring Market 13-1*(Contributor: Alan N. Hoffman)*

Blue Nile Inc. has developed into the largest online retailer of diamond engagement rings. Unlike traditional jewelry retailers, Blue Nile operates completely store-front-free, without in-person consultation services. The business conducts all sales online or by phone, and sales include both engagement (70%) and non-engagement (30%) categories. Blue Nile’s vision is to educate its customer base so customers can make an informed, confident decision no matter what event they are celebrating. It wants to make the entire diamond-buying process easy and hassle-free.

INDUSTRY TWO: ENTERTAINMENT AND LEISURE**CASE 14** Groupon Inc.: Daily Deal or Lasting Success? 14-1*(Contributors: Nick Falcone, Eric Halbruner, Ellie A. Fogarty, and Joyce Vincelette)*

Groupon began as a local Chicago discount service and became a global phenomenon seemingly overnight. It was a great idea. The company was the first of its kind and changed the way consumers spend, shop, and think about discounts. But how could Groupon, based on such innovation and having experienced such exceptional growth, be in such a precarious position? A wave of competition had swelled, including the likes of technology giants and both general and niche daily deals services, all replicating Groupon’s business model. How could Groupon compete against large companies and their expansive resources?

CASE 15 Netflix Inc.: The 2011 Rebranding/Price Increase Debacle 15-1*(Contributor: Alan N. Hoffman)*

On September 18, 2011, Netflix CEO and co-founder Reed Hastings announced on the Netflix blog that the company was splitting its DVD delivery service from its online streaming service, rebranding its DVD delivery service, Qwikster, as a way to differentiate it from its online streaming service, and creating a new Web site for it. Three weeks later, in response to customer outrage and confusion, Hastings rescinded the decision to rebrand the DVD delivery service, Qwikster, and reintegrated it into Netflix. Nevertheless, only five weeks after the initial split, Netflix acknowledged that it had lost 800,000 U.S. subscribers and expected to lose many more, thanks both to the Qwikster debacle and the price hike the company had decided was necessary to cover increasing content costs.

CASE 16 Town Sports International Holdings, Inc.: Unsquashable 16-1*(Contributors: Sarah Stefanelli, Christina Marie Kopka, Jakub Libucha, and Joyce Vincelette)***new**

Town Sports International decided to move forward with its expansion strategy in order to become the most recognized health club network, through both designing and building clubs and through selective acquisitions within its four major markets, Boston, New York, Washington D.C., and Philadelphia. Town Sports Int’l set out to accomplish this efficiently and effectively by living by its customer-centric mission, “Improving Lives Through Exercise.”

- CASE 17** Zynga, Inc. (2011): Whose Turn Is It? 17-1
(Contributors: Zachary Burkhalter, Daniel Zuller, Concetta Bagnato, Joyce Vincelette, and Ellie A. Fogarty)
Zynga built its company around social gaming. This new type of gaming transformed the gaming industry on multiple levels and across various platforms. Zynga originally built its games using the Facebook platform and then capitalized on the company's unique method of social networking to capture audiences around the world. However, this strong reliance on Facebook and changes in consumer gaming practices caused some concern among outside investors as to the future of Zynga.

INDUSTRY THREE: FOOD AND BEVERAGE

- CASE 18** The Boston Beer Company: Brewers of Samuel Adams Boston Lager (Mini Case) 18-1
(Contributor: Alan N. Hoffman)
The Boston Beer Company, founded in 1984 by Jim Koch, is viewed as a pioneer in the American craft beer revolution. Brewing over one million barrels of 25 different styles of beer, Boston Beer is the sixth-largest brewer in the United States. Even though overall domestic beer sales declined 1.2% in 2010, sales of craft beer have increased 20% since 2002, with Boston Beer's increasing 22% from 2007 to 2009. How can the company continue its rapid growth in a mature industry?
- CASE 19** Panera Bread Company (2010): Still Rising Fortunes? 19-1
(Contributors: Joyce P. Vincelette and Ellie A. Fogarty)
Panera Bread is a successful bakery-café known for its quality soups and sandwiches. Even though Panera's revenues and net earnings have been rising rapidly, new unit expansion throughout North America has fueled this growth. Will revenue growth stop once expansion slows? The retirement of CEO Ronald Shaich, the master baker who created the "starter" for the company's phenomenal growth, is an opportunity to rethink Panera's growth strategy.
- CASE 20** Whole Foods Market (2010): How to Grow in an Increasingly Competitive Market? (Mini Case) 20-1
(Contributors: Patricia Harasta and Alan N. Hoffman)
Whole Foods Market is the world's leading retailer of natural and organic foods. The company differentiates itself from competitors by focusing on innovation, quality, and service excellence, allowing it to charge premium prices. Although the company dominates the natural/organic foods category in North America, it is facing increasing competition from larger food retailers like Wal-Mart, who are adding natural/organic foods to their offerings.
- CASE 21** Burger King (Mini Case) 21-1
(Contributor: J. David Hunger)
Founded in Florida in 1953, Burger King has always trailed behind McDonald's as the second-largest fast-food hamburger chain in the world. Although its total revenues dropped only slightly from 2009, its 2010 profits dropped significantly, due to high expenses. Burger King's purchase by an investment group in 2010 was an opportunity to rethink the firm's strategy.
- CASE 22** Sonic Restaurants: Does Its Drive-In Business Model Limit Future Growth Potential? 22-1
(Contributors: Alan N. Hoffman and Natalia Gold)
Sonic is an iconic American drive-in fast-food chain with nearly thousands of franchises established across the United States by 2014. As Sonic continued to expand, it ran into various hurdles. The most daunting challenge was to enter urban environments where space was too scarce to make drive-in possible. At the same time, while the drive-in model was highly effective in the US, thanks to nostalgia, it did not have the same emotional appeal to international

new

consumers. Should Sonic move away from the drive-in model and reinvent itself? If so, would it become just another fast food burger joint with a customizable menu? And how could it compete with larger players such as McDonald's and Burger King that already had a substantial urban and international presence?

CASE 23 “Breaking Up is Hard to Do”: PepsiCo in 2014 23-1

(Contributor: Ram Subramanian)

new

On April 17, 2014, Indra Nooyi, the Chief Executive Officer of the Purchase, New York-based PepsiCo, a diversified beverage and snack foods company, met with Ian Cook, the Presiding Director of the company's Board, to discuss a response to Nelson Peltz's (the head of Trian Fund Management, an activist fund) latest call for breaking up the company into two independent entities. Peltz had threatened to approach the company's stockholders directly if the Board did not accede to his demands.

INDUSTRY FOUR: APPAREL

CASE 24 Under Armour 24-1

(Contributors: Ram Subramanian and Pradeep Gopalakrishna)

Under Armour's footwear sales declined by 4.5% during the second quarter of 2009 and showed a 16.6% decline in the first six months of 2010 compared to 2009. This was in contrast to its performance apparel, the company's core category, which saw a 32.2% uptick over 2009. Under Armour had tremendous growth opportunities in the apparel category in China. However, CEO Kevin Plank wanted Under Armour to be a leading player in the field of athletic footwear.

CASE 25 TOMS Shoes (Mini Case) 25-1

(Contributor: J. David Hunger)

Founded in 2006 by Blake Mycoskie, TOMS Shoes is an American footwear company based in Santa Monica, California. Although TOMS Shoes is a for-profit business, its mission is more like that of a not-for-profit organization. The firm's reason for existence is to donate to children in need one new pair of shoes for every pair of shoes sold. By 2010, the company had sold over one million pairs of shoes. How should the company plan its future growth?

CASE 26 J.C. Penney Company, Inc.: Surviving the Ron Johnson (CEO) Era 26-1

(Contributor: Alan N. Hoffman)

new

Ron Johnson, the architect behind Apple's wildly successful retail stores and 15-year Target veteran, became American department store chain J.C. Penney's new CEO in November 2011. The owner of J.C. Penney had high hopes for Johnson, who proceeded to make drastic changes to the company including a new logo and a new spokesperson (Ellen DeGeneres). His vision included transforming 700 of the largest J.C. Penney stores into collections of some 100 branded shops with a central "town square" gathering area for services. J.C. Penney fired Ron Johnson after just 17 months, following a disastrous decline in business directly attributable to the failure of the new business plan.

INDUSTRY FIVE: RETAILING

CASE 27 Best Buy Co. Inc. (2009): A Sustainable Customer-Centricity Model? 27-1

(Contributor: Alan N. Hoffman)

Best Buy, the largest consumer electronics retailer in the United States, operates 4000 stores in North America, China, and Turkey. It distinguishes itself from competitors by deploying a differentiation strategy based on superior service rather than low price. The recent recession has stressed its finances and the quality of its customer service. How can Best Buy continue to have innovative products, top-notch employees, and superior customer service while facing increased competition, operational costs, and financial stress?

CASE 28 Target Corp's Tarnished Reputation: Failure in Canada and a Massive Data Breach 28-1

(Contributors: Alan N. Hoffman and Natalia Gold)

new

Target is a US mass-market discount store catering to shoppers seeking high quality products. In a crowded market, Target was eager to grow its business outside the US and online. It expanded to Canada in 2011 by acquiring a failed retailer. A move that seemed prudent actually saddled Target with inconveniently located stores and strained its logistics infrastructure. Closing down its Canadian stores, Target focused on strengthening its online presence. But two massive data breach incidents in 2013 and 2014 affected over 100 million of its customers and weakened Target's sales significantly. In order to keep its market share on a par with competitors such as Walmart and Amazon, Target clearly has challenges to be met.

CASE 29 Staples: The Fierce Battle Between Brick and Mortar vs. Online Sales 29-1

(Contributors: Alan N. Hoffman and Natalia Gold)

new

With a focus on convenience and a wide range of product offerings, Staples was the world's largest office supplies retailer. The office supply sector had almost no barriers to entry as capital costs were low compared to other retail industries. No licensing requirements were necessary, easing the burden on new entrants. The low level of differentiation of goods between one office supply store and the next, forced new entrants to provide either niche or specialty products to compete and often in the online realm. As the retail industry had been trending towards e-commerce, Staples' traditional brick and mortar stores were costing it dearly. The global office supplies leader found it increasingly difficult to compete on the Internet.

INDUSTRY SIX: TRANSPORTATION

CASE 30 Tesla Motors, Inc.: The First U.S. Car Company IPO Since 1956 30-1

(Contributor: Alan N. Hoffman)

Tesla Motors was founded in 2004 to produce electric automobiles. Its first car, the Tesla Roadster, sold for US\$101,000. It could accelerate from 0 to 60 mph in 3.9 seconds, and cruise for 236 miles on a single charge. In contrast to existing automakers, Tesla sold and serviced its cars through the Internet and its own Tesla stores. With the goal of building a full line of electric vehicles, Tesla Motors faces increasing competition from established automakers. How can Tesla Motors succeed in an industry dominated by giant global competitors?

CASE 31 TomTom: New Competition Everywhere! 31-1

(Contributor: Alan N. Hoffman)

TomTom, an Amsterdam-based company that provides navigation services and devices, led the navigation systems market in Europe and is second in popularity in the United States. However, the company is facing increasing competition from other platforms using GPS technology, like cell phones and Smartphones with built-in navigation functions. As its primary markets in the United States and Europe mature, how can the company ensure its future growth and success?

INDUSTRY SEVEN: MANUFACTURING

CASE 32 General Electric, GE Capital, and the Financial Crisis of 2008: The Best of the Worst in the Financial Sector? 32-1

(Contributor: Alan N. Hoffman)

The financial services industry was, by definition, volatile, and GE Capital was particularly hard hit by the economic recession of 2008. With the credit markets illiquid and financial markets falling, GE Capital found it was overexposed to commercial real estate and foreign residential mortgages. At this point, GE's parent corporation stepped in, began reorganizing GE Capital, and significantly downsized the unit. GE Capital hoped to see continued sustainable earnings growth with growing margins and lower portfolio risk, and to return money to investors and resume paying dividends to its parent company.

CASE 33 Snap-on Tools: A Victim of Its Own Success 33-1*(Contributor: Alan N. Hoffman)***new**

For 93 years, Snap-on Tools had firmly established itself as an innovative premium tool manufacturer serving the automotive industry. In recent years, Snap-on Tools started to expand its product lines to engineering industries including aerospace, aviation, and oil and gas. It also began to give technical education to build the skilled labor base in the US—its largest market that constituted 65% of all revenue. Snap-on feared that its overdependence on the US market could make its business and operations vulnerable to country-specific trends as well as increase the company's exposure to local factors such as severe weather conditions, labor strikes, or changes in regulations.

GLOSSARY G-1

NAME INDEX I-1

SUBJECT INDEX I-6

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.