# Contents

Preface 29

## PART ONE Introduction to Strategic Management and Business Policy 49

### CHAPTER 1 Basic Concepts of Strategic Management 50

1.1 The Study of Strategic Management 53  
   Phases of Strategic Management 53  
   Benefits of Strategic Management 54  

1.2 Globalization and Environmental Sustainability: Challenges to Strategic Management 55  
   Impact of Globalization 56  
   Impact of Environmental Sustainability 56  
   Global Issue: REGIONAL TRADE ASSOCIATIONS REPLACE NATIONAL TRADE BARRIERS 57  
   Environmental Sustainability Issue: PROJECTED EFFECTS OF CLIMATE CHANGE 60  

1.3 Theories of Organizational Adaptation 60  

1.4 Creating a Learning Organization 61  

1.5 Basic Model of Strategic Management 62  
   Environmental Scanning 64  
   Strategy Formulation 65  
   Strategy Highlight 1.1: DO YOU HAVE A GOOD MISSION STATEMENT? 66  
   Strategy Implementation 69  
   Evaluation and Control 70  
   Feedback/Learning Process 71  

1.6 Initiation of Strategy: Triggering Events 71  
   Strategy Highlight 1.2: TRIGGERING EVENT AT UNILEVER 72  

1.7 Strategic Decision Making 73  
   What Makes a Decision Strategic 73  
   Mintzberg's Modes of Strategic Decision Making 73  
   Strategic Decision-Making Process: Aid to Better Decisions 75  

1.8 The Strategic Audit: Aid to Strategic Decision-Making 76  

1.9 End of Chapter Summary 77  

APPENDIX 1.A Strategic Audit of a Corporation 82
Environmental Sustainability Issue: MEASURING AND SHRINKING YOUR PERSONAL CARBON FOOTPRINT 148

Global Issue: IDENTIFYING POTENTIAL MARKETS IN DEVELOPING NATIONS 155

Identifying External Strategic Factors 156

4.2 Industry Analysis: Analyzing the Task Environment 157
   Porter's Approach to Industry Analysis 158
   Industry Evolution 162
   Categorizing International Industries 162
   International Risk Assessment 163
   Strategic Groups 163
   Strategic Types 165
   Hypercompetition 165
   Using Key Success Factors to Create an Industry Matrix 166
   Strategy Highlight 4.1: MICROSOFT IN A HYPERCOMPETITIVE INDUSTRY 166

4.3 Competitive Intelligence 168
   Sources of Competitive Intelligence 169
   Strategy Highlight 4.2: EVALUATING COMPETITIVE INTELLIGENCE 170
   Monitoring Competitors for Strategic Planning 170

4.4 Forecasting 171
   Danger of Assumptions 171
   Useful Forecasting Techniques 172

4.5 The Strategic Audit: A Checklist for Environmental Scanning 173

4.6 Synthesis of External Factors—EFAS 174

4.7 End of Chapter Summary 175

APPENDIX 4.A Competitive Analysis Techniques 181

CHAPTER 5 Internal Scanning: Organizational Analysis 184

5.1 A Resource-Based Approach to Organizational Analysis 186
   Core and Distinctive Competencies 186
   Using Resources to Gain Competitive Advantage 187
   Determining the Sustainability of an Advantage 188

5.2 Business Models 190

5.3 Value-Chain Analysis 191
   Strategy Highlight 5.1: A NEW BUSINESS MODEL AT SMARTYPIC 192
   Industry Value-Chain Analysis 193
   Corporate Value-Chain Analysis 194
## CONTENTS

### 5.4 Scanning Functional Resources and Capabilities
- Basic Organizational Structures 195
- Corporate Culture: The Company Way 197
- Global Issue: MANAGING CORPORATE CULTURE FOR GLOBAL COMPETITIVE ADVANTAGE: ABB VERSUS MATUSHITA 198
- Strategic Marketing Issues 199
- Strategic Financial Issues 201
- Strategic Research and Development (R&D) Issues 202
- Strategic Operations Issues 204
- Strategic Human Resource (HRM) Issues 206
- Environmental Sustainability Issue: USING ENERGY EFFICIENCY FOR COMPETITIVE ADVANTAGE AND QUALITY OF WORK LIFE 209
- Strategic Information Systems/Technology Issues 210

### 5.5 The Strategic Audit: A Checklist for Organizational Analysis 211

### 5.6 Synthesis of Internal Factors 212

### 5.7 End of Chapter Summary 213

### Ending Case for Part Two: BOEING BETS THE COMPANY 218

## PART THREE Strategy Formulation 221

### CHAPTER 6 Strategy Formulation: Situation Analysis and Business Strategy 222

#### 6.1 Situational Analysis: SWOT Analysis 224
- Generating a Strategic Factors Analysis Summary (SFAS) Matrix 224
- Finding a Propitious Niche 225
- Global Issue: SAB DEFENDS ITS PROPITIOUS NICHE 229

#### 6.2 Review of Mission and Objectives 229

#### 6.3 Generating Alternative Strategies by Using a TOWS Matrix 230

#### 6.4 Business Strategies 231
- Porter's Competitive Strategies 231
- Environmental Sustainability Issue: PATAGONIA USES SUSTAINABILITY AS DIFFERENTIATION COMPETITIVE STRATEGY 235
- Cooperative Strategies 243

#### 6.5 End of Chapter Summary 247

### CHAPTER 7 Strategy Formulation: Corporate Strategy 252

#### 7.1 Corporate Strategy 254

#### 7.2 Directional Strategy 254
- Growth Strategies 255
Strategy Highlight 7.1: TRANSACTION COST ECONOMICS ANALYZES VERTICAL GROWTH STRATEGY 258
Global Issue: COMPANIES LOOK TO INTERNATIONAL MARKETS FOR HORIZONTAL GROWTH 260
Strategy Highlight 7.2: SCREENING CRITERIA FOR CONCENTRIC DIVERSIFICATION 263
Controversies in Directional Growth Strategies 264
Stability Strategies 265
Retrenchment Strategies 266
7.3 Portfolio Analysis 268
BCG Growth-Share Matrix 269
Environmental Sustainability Issue: GENERAL MOTORS AND THE ELECTRIC CAR 270
GE Business Screen 271
Advantages and Limitations of Portfolio Analysis 273
Managing a Strategic Alliance Portfolio 273
7.4 Corporate Parenting 274
Developing a Corporate Parenting Strategy 275
Horizontal Strategy and Multipoint Competition 276
7.5 End of Chapter Summary 277

CHAPTER 8 Strategy Formulation: Functional Strategy and Strategic Choice 284
8.1 Functional Strategy 286
   Marketing Strategy 286
   Financial Strategy 287
   Research and Development (R&D) Strategy 289
   Operations Strategy 290
   Global Issue: INTERNATIONAL DIFFERENCES ALTER WHIRLPOOL’S OPERATIONS STRATEGY 291
   Purchasing Strategy 292
   Environmental Sustainability Issue: OPERATIONS NEED FRESH WATER AND LOTS OF IT! 293
   Logistics Strategy 294
   Human Resource Management (HRM) Strategy 294
   Information Technology Strategy 295
8.2 The Sourcing Decision: Location of Functions 295
8.3 Strategies to Avoid 298
8.4 Strategic Choice: Selecting the Best Strategy 299
    Constructing Corporate Scenarios 299
    Process of Strategic Choice 305
10.2 Leading  359
  Managing Corporate Culture  359
  Environmental Sustainability Issue: ABBOTT LABORATORIES' NEW PROCEDURES FOR GREENER COMPANY CARS  360
  Action Planning  364
  Management By Objectives  366
  Total Quality Management  366
  International Considerations in Leading  367
  Global Issue: CULTURAL DIFFERENCES CREATE IMPLEMENTATION PROBLEMS IN MERGER  369

10.3 End of Chapter Summary  370

CHAPTER 11 Evaluation and Control  376

11.1 Evaluation and Control in Strategic Management  378

11.2 Measuring Performance  380
  Appropriate Measures  380
  Types of Controls  380
  Activity-Based Costing  382
  Enterprise Risk Management  383
  Primary Measures of Corporate Performance  383
  Environmental Sustainability Issue: HOW GLOBAL WARMING COULD AFFECT CORPORATE VALUATION  388
  Primary Measures of Divisional and Functional Performance  390
  International Measurement Issues  392
  Global Issue: COUNTERFEIT GOODS AND PIRATED SOFTWARE: A GLOBAL PROBLEM  394

11.3 Strategic Information Systems  395
  Enterprise Resource Planning (ERP)  395
  Radio Frequency Identification (RFID)  396
  Divisional and Functional IS Support  396

11.4 Problems in Measuring Performance  396
  Short-term Orientation  397
  Goal Displacement  398

11.5 Guidelines for Proper Control  399
  Strategy Highlight 11.1: SOME RULES OF THUMB IN STRATEGY  399

11.6 Strategic Incentive Management  400

11.7 End of Chapter Summary  402

Ending Case for Part Four: HEWLETT-PACKARD BUYS EDS  408
Organizing for Innovation: Corporate Entrepreneurship
Strategy Highlight 2: **HOW NOT TO DEVELOP AN INNOVATIVE ORGANIZATION**

5 Evaluation and Control
   Evaluation and Control Techniques
   Evaluation and Control Measures

6 End of Chapter Summary

**WEB CHAPTER B.** Strategic Issues in Entrepreneurial Ventures and Small Businesses

1 Importance of Small Business and Entrepreneurial Ventures
   Global Issue: **ENTREPRENEURSHIP: SOME COUNTRIES ARE MORE SUPPORTIVE THAN OTHERS**
   Definition of Small-Business Firms and Entrepreneurial Ventures
   The Entrepreneur as Strategist

2 Use of Strategic Planning and Strategic Management
   Degree of Formality
   Usefulness of the Strategic Management Model
   Usefulness of the Strategic Decision-Making Process

3 Issues in Corporate Governance
   Boards of Directors and Advisory Boards
   Impact of the Sarbanes-Oxley Act

4 Issues in Environmental Scanning and Strategy Formulation
   Sources of Innovation
   Factors Affecting a New Venture’s Success
   Strategy Highlight 1: **SUGGESTIONS FOR LOCATING AN OPPORTUNITY AND FORMULATING A BUSINESS STRATEGY**

5 Issues in Strategy Implementation
   Substages of Small Business Development
   Transfer of Power and Wealth in Family Businesses

6 Issues in Evaluation and Control

7 End of Chapter Summary

**WEB CHAPTER C.** Strategic Issues in Not-For-Profit Organizations

1 Why Not-for-Profit?
   Global Issue: **WHICH IS BEST FOR SOCIETY: BUSINESS OR NOT-FOR-PROFIT?**

2 Importance of Revenue Source
   Sources of Not-for-Profit Revenue
   Patterns of Influence on Strategic Decision Making
   Usefulness of Strategic Management Concepts and Techniques
3 Impact of Constraints on Strategic Management
   Impact on Strategy Formulation
   Impact on Strategy Implementation
   Impact on Evaluation and Control
4 Not-for-Profit Strategies
   Strategic Piggybacking
   Strategy Highlight 1: RESOURCES NEEDED FOR SUCCESSFUL STRATEGIC PIGGYBACKING
      Mergers
      Strategic Alliances
5 End of Chapter Summary

PART SEVEN Cases in Strategic Management  441

SECTION A Corporate Governance and Social Responsibility

CASE 1 The Recalcitrant Director at Byte Products, Inc.: Corporate Legality versus Corporate Responsibility  447
   (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  453
   (Contributor: Laurence J. Stybel)
   Managers question the strategic direction of the company 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 founder of the company?

CASE 3 Hershey Foods Company: Board of Directors and Stakeholders Conflict over Sale  463
   (Contributor: Cynthia Clark Williams)
   The CEO of the not-for-profit Hershey Trust Company (HTC), which owned 77% voting control of the for-profit Hershey Foods Company, was facing one of the most challenging decisions of his 25-year career as a trust officer: whether or not to recommend to his board that the American chocolate-making icon be sold. Hershey Foods' profit margins had been steadily declining against strong competition from competitors Nestlé and Mars, but the firm's new CEO had introduced a turnaround strategy.

SECTION B Business Ethics

CASE 4 The Audit  477
   (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.
CASE 5 Everyone Does It 479
(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 was 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 were used, no one would contract with the company.

SECTION C International Issues in Strategic Management

CASE 6 Li & Fung—The Global Value Chain Configurator 483
(Contributors: Vivek Gupta and A. Neela Radhika)
Li & Fung Limited was one of the world’s leading textile export traders and the largest textile trader to the U.S. It faced a number of challenges, such as a slowdown in its revenue and profit growth, heavy dependence on the U.S. market, declining market share in Europe, and negligible revenue growth in the rapidly growing Asian markets. Management wondered how it could utilize a recently-acquired direct export license from China to strengthen its position in the global export trading market.

CASE 7 Starbucks Coffee Company: The Indian Dilemma 507
(Contributors: Ruchi Mankad and Joel Sarosh Thadamalla)
Starbucks was the world’s largest coffee retailer with over 11,000 stores in 36 countries and over 10,000 employees. The case focuses on India as a potential market for the coffee retailer. The case presents information on India’s societal environment and on India’s beverage industry. Profiles are provided for various existing coffee shop chains in India. The key issue in the case revolves around the question: Are circumstances right for Starbucks to enter India?

CASE 8 Turkcell: The Only Turk on Wall Street 529
(Contributor: Sue Greenfeld)
Having more than 60% of the Turkish market for mobile phones, Turkcell was the only Turkish company listed on the New York Stock Exchange. With three additional Turkish competitors entering the market and an onerous 66% tax burden, management wondered how it should position the company for success in the coming years. What strategies will enable Turkcell to become one of the largest mobile communications operators in Europe?

CASE 9 Guajilote Cooperativo Forestal, Honduras 543
(Contributors: Nathan Nebbe and J. David Hunger)
This forestry cooperative has the right to harvest, transport, and sell fallen mahogany trees in La Muralla National Park of Honduras. Although the cooperative has been successful thus far, it was facing some serious issues: low prices for its product, illegal logging, deforestation by poor farmers, and possible world trade restrictions on the sale of mahogany.

SECTION D General Issues in Strategic Management

INDUSTRY ONE: INFORMATION TECHNOLOGY

CASE 10 Apple Computer and Steve P. Jobs (2006): Pixar Animation and Walt Disney Company 549
Apple, the first company to mass-market a personal computer, had been the darling of Wall Street in the 1980s, but by the mid-1990s, the company was in serious difficulty. After being expelled from the company in 1985, Steve Jobs returned as CEO in 1997 to reenergize the firm. The introduction of the
iPod in 2001 catapulted Apple back into the spotlight. How can Apple continue its success and avoid becoming just another niche company? How dependent is the company on Steve Jobs?

CASE 11 McAfee 2005: Anti-virus and Anti-spyware  571
(Contributors: Bethany Sweesy and Alan N. Hoffman)
Founded as McAfee Associates in 1989 to market anti-virus software, McAfee had successfully competed against market leader Symantec to become a major provider of computer security software. Microsoft's announcement that it was entering the security business rocked the industry. What strategy should McAfee pursue to continue as a market leader in the computer security industry?

INDUSTRY TWO: INTERNET COMPANIES

CASE 12 Reorganizing Yahoo!  585
(Contributors: P. Indu and Vivek Gupta)
Yahoo! created the first successful Internet search engine, but by 2004 was losing its identity. Was it a search engine, a portal, or a media company? On December 5, 2006, Yahoo's CEO announced a reorganization of the company into three groups. It was hoped that a new mission statement and a new structure would make Yahoo! leaner and more responsive to customers. Would this be enough to turn around the company?

CASE 13 Google: An Internet Search Service Company  603
(Contributors: Joseph Teye-Kofi, Robert J. Mockler, and Marc Gartenfeld)
Google, an online company that provided a reliable Internet search engine, was founded in 1998 by two Stanford Ph.D. students. Google soon replaced Yahoo! as the market leader in Internet search engines. The issue facing management was how to develop an effective differentiating enterprise-wide strategy especially for the company's Internet search segment.

INDUSTRY THREE: ENTERTAINMENT, LEISURE, AND TRANSPORTATION

CASE 14 TiVo Inc: TiVo vs. Cable and Satellite DVR: Can TiVo Survive?  623
(Contributors: Alan N. Hoffman, Rendy Halim, Rangki Son, and Suzanne Wong)
TiVo was founded to create a device capable of recording digitized video on a computer hard drive for television viewing. Even though revenues had jumped from $96 million in 2003 to $259 million in 2007, the company had never earned a profit. Despite many alliances, TiVo faced increasing competition from generic DVRs offered by satellite and cable companies. How long could the company continue to sell TiVo DVRs when the competition sold generic DVRs at a lower price or gave them away?

CASE 15 Marvel Entertainment Inc.: Iron Man to the Rescue  645
(Contributors: Ellie A. Fogarty and Joyce P. Vincelette)
Marvel Entertainment was known for its comic book characters Captain America, Spider Man, the Fantastic Four, the Incredible Hulk, the Avengers, and the X-Men. With its two 2008 self-produced films, Iron Man and Incredible Hulk, Marvel had expanded out of comic books to becoming a leader in the entertainment industry. The company was no longer competing against other comic book publishers like DC Comics, but was now competing against entertainment giants like Walt Disney and NBC Universal. What should Marvel's management do to ensure the company's future success?

CASE 16 Harley Davidson Inc. 2008: Thriving Through a Recession  661
(Contributors: Patricia A. Ryan and Thomas L. Wheelen)
Harley-Davidson is a modern success story of a motorcycle company that turned itself around by emphasizing quality manufacturing and image marketing. After consistently growing through the 1990s, sales were showing signs of slowing as the baby boomers continued to age. Safety was also becoming an issue. For the first time in recent history, sales and profits declined in 2008 from 2007. Analysts wondered how the company would be affected in a recession. How does Harley-Davidson continue to grow at its past rate?
JetBlue Airways: Growing Pains  693
(Contributors: S. S. George and Shirisha Regani)

JetBlue Airlines had been founded as a “value player” in the niche between full-service airlines and low-cost carriers. Competition had recently intensified and several airlines were taking advantage of bankruptcy protection to recapture market share through price cuts. JetBlue’s operating costs were rising as a result of increasing fuel costs, aircraft maintenance expenses, and service costs. Has JetBlue been growing too fast and was growth no longer sustainable?

Carnival Corporation & plc (2006):
Twelve Distinct Brands Serving Seven Continents  709
(Contributors: Michael J. Keeffe, John K. Ross III, Bill J. Middlebrook, and Thomas L. Wheelen)

With its “fun ship,” Carnival Cruises changed the way people think of ocean cruises. The cruise had become more important than the destination. Through acquisition, Carnival expanded its product line to encompass an entire range of industry offerings. How can Carnival continue to grow in the industry it now dominates?

(Contributors: James W. Camerius and J. David Hunger)

Wal-Mart’s low prices, wide selection, and courteous service generated high sales and profits, but its stores tended to drive local stores out of business. The union contended that Wal-Mart underpaid its workers and offered them substandard benefits. Wal-Mart’s hard stance with suppliers was portrayed by others as an abuse of power. Management faced lawsuits alleging discrimination against women and underage workers operating dangerous machinery. The company had become a lightning rod for any and all criticism against big business. What should management do?

The Home Depot, Inc. (2006): Executive Leadership  763
(Contributors: J. David Hunger and Thomas L. Wheelen)

Home Depot is the world’s largest home improvement retailer. CEO Bob Nardelli was hired from GE to replace the founders and to increase sales to the professional market. Nardelli’s aggressive management style contrasted with the company’s supportive corporate culture to generate conflict and employee turnover. With sales at an all-time high and solid earnings per share, why was the financial community downgrading Home Depot stock and why were the shareholders so upset?

The Future of Gap Inc.  797
(Contributor: Mirda Verma)

Gap, Inc. offered clothing, accessories, and personal care products under the Gap, Banana Republic, and Old Navy brands. After a new CEO introduced a turnaround strategy, sales increased briefly, then fell. Tired of declining sales, the board of directors hired Goldman Sachs to explore strategies ranging from the sale of its stores to spinning off a single division.

(Contributors: Anne Phan and Joyce P. Vincelette)

Rocky Mountain Chocolate Factory had five company-owned and 329 franchised stores in 38 states, Canada, and the United Arab Emirates. Even though revenues and net income had increased from 2005 through 2008, they had been increasing at a decreasing rate. A pound of candy purchased from the factory by the stores had actually dropped 9% in 2008 from 2007. Was the bloom off the rose at Rocky Mountain Chocolate?
CASE 23  Inner-City Paint Corporation (Revised)  833
(Contributors: Donald F. Kuratko and Norman J. Gierlasinski)
Inner-City Paint makes paint for sale to contractors in the Chicago area. The founder's lack of
management knowledge is creating difficulties for the firm, and the company is in financial difficulty.
Unless something is done soon, it may go out of business.

CASE 24  The Haier Group: U.S. Expansion  837
(Contributors: YongJun Lu, Robert J. Mockler, and Marc Gartenfeld)
Already a market leader in China, Haier was rapidly expanding into Europe and the Americas. The
Chinese company faced a number of long-term decisions needed to build an American presence. The
main problem for Haier was how to differentiate itself from General Electric, Whirlpool, Maytag, and
Electrolux in major appliances and from Sony, Panasonic, Philips, and LG in electronics to achieve a
winning competitive advantage.

CASE 25  The Carey Plant  863
(Contributors: Thomas L. Wheelen and J. David Hunger)
The Carey Plant had been a profitable manufacturer of quality machine parts until being acquired by
the Gardner Company. Since its acquisition, the plant has been plagued by labor problems, increasing
costs, leveling sales, and decreasing profits. Gardner Company's top management is attempting to
improve the plant's performance and better integrate its activities with those of the corporation by
selecting a new person to manage the plant.

CASE 26  Invacare Corporation (2004)  867
(Contributors: Walter E. Greene and Jeff Totten)
Invacare had grown from a minor player in home medical equipment to the world's largest
manufacturer of home medical equipment, such as wheelchairs, respiratory equipment, hospital-type
beds, and motorized scooters. Although the company was well positioned to take advantage of an
aging population's growing need for health care, government regulations were making things difficult.
The challenge for Invacare's executive team was how to deal with restrictive government regulations
and an increasingly competitive industry.

CASE 27  Wal-Mart and Vlasic Pickles  879
(Contributor: Karen A. Berger)
A manager of Vlasic Foods International closed a deal with Wal-Mart that resulted in selling more
pickles than Vlasic had ever sold to any one account. The expected profit of 1 to 2 cents per jar was
not sustainable, however, due to unplanned expenses. Vlasic's net income plummeted and the
company faced bankruptcy. Given that Wal-Mart was Vlasic's largest customer, what action should
management take?

CASE 28  Whole Foods Market (2005): Will There Be Enough Organic Food
to Satisfy a Growing Demand?  885
(Contributors: Patricia Harasta and Alan N. Hoffman)
Whole Food Market was the world's leading retailer of natural and organic foods, with 172 stores in
North America and the United Kingdom. The supply of natural and organic foods was not keeping up
with steadily increasing demand and could become a serious problem for the company. As the industry
attracted more competitors, new prime locations were becoming harder to find. Whole Foods' CEO
was uncertain about how to meet the company's aggressive growth targets.
CASE 29  Panera Bread Company: Rising Fortunes?  899  
(Contributors: Ted Repetti and Joyce P. Vincelette)  
 exclusive  
 Panera Bread was a successful bakery-café known for its quality soups and sandwiches. Even though Panera’s revenues and net earnings were rising rapidly, new unit expansion (419 new stores over three years) had fueled this growth. The growth rate of average annualized unit volumes and year-to-year comparable sales had actually dropped from 9.1% and 12.0%, respectively, in 2000 to only 0.2% and 0.5% in 2003. Growth was slowing. Management was now looking for new growth strategies.

CASE 30  Church & Dwight Builds a Corporate Portfolio  923  
(Contributor: Roy A. Cook)  
 Church & Dwight, the maker of Arm & Hammer baking soda, has used line extension to successfully market multiple consumer products based on sodium bicarbonate. Searching for a new growth strategy, the firm had turned to acquisitions. Can management successfully achieve a balancing act based on finding growth through expanded uses of sodium bicarbonate while assimilating a divergent group of consumer products into an expanding international footprint?

SECTION E  Mini Cases

MINI CASE 31  Dell, Inc.  935  
(Contributor: J. David Hunger)  
 Dell was the largest PC vendor in the world, but its chief advantages—direct marketing and power over suppliers—were losing their punch. The percentage of 2005 PC sales via the phone and Internet fell in the United States as the sales through U.S. retail stores rose—a channel in which Dell was absent. By 2006, the once-torrid growth in PC sales had slowed to about 5% a year. How should Dell adjust to its changing environment?

MINI CASE 32  Six Flags, Inc.: The 2006 Business Turnaround  941  
(Contributor: Patricia A. Ryan)  
 Known for its fast roller coasters and adventure rides, Six Flags had successfully built a group of regional theme and water parks in the United States. Nevertheless, the company had not turned a profit since 1998. Long-term debt had increased to 61% of total assets by 2005. New management was implementing a retrenchment strategy, but industry analysts were unsure if this would be enough to save the company.

MINI CASE 33  Lowe’s Companies, Inc.  947  
(Contributor: Maryanne M. Rouse)  
 As the second-largest U.S. “big box” home improvement retailer (behind Home Depot), Lowe’s competed in a highly fragmented industry. The company had grown with the increase in home ownership and had no plans to expand internationally. With more than 1,000 stores in 2004, Lowe’s intended to increase its U.S. presence with 150 store openings per year in 2005 and 2006. Were there limits to Lowe’s current growth strategy?

MINI CASE 34  Movie Gallery, Inc.  953  
(Contributor: J. David Hunger)  
 Movie Gallery was the second-largest North American video retail rental company, specializing in the rental and sale of movies and video games through its Movie Gallery and Hollywood Entertainment stores. Growing through acquisitions, the company was heavily in debt. The recent rise of online video rental services, such as Netflix, was cutting into retail store revenues and reducing the company’s cash flow. With just $135 million in cash at the end of 2005, Movie Gallery’s management found itself facing possible bankruptcy.
WEB CASE 1  Eli Lily & Company  
(Contributor: Maryanne M. Rouse)  
A leading pharmaceutical company, Eli Lilly produced a wide variety of ethical drugs and animal health products. Despite an array of new products, the company’s profits declined after the firm lost patent protection for Prozac. The FDA found quality problems at several of the company’s manufacturing sites—resulting in a delay of new product approvals. How should Lily position itself in a very complex industry?

WEB CASE 2  Tech Data Corporation  
(Contributor: Maryanne M. Rouse)  
Tech Data, a distributor of information technology and logistics management, had rapidly grown through acquisition to become the second-largest global IT distributor. Sales and profits had been declining, however, since 2001. As computers become more like a commodity, the increasing emphasis on direct distribution by manufacturers threatened wholesale distributors like Tech Data.

WEB CASE 3  Stryker Corporation  
(Contributor: Maryanne M. Rouse)  
Stryker was a leading maker of specialty medical and surgical products, a market expected to show strong sales growth. Stryker marketed its products directly to hospitals and physicians in the United States and 100 other countries. Given the decline in the number of hospitals due to consolidation and cost containment efforts by government programs and health care insurers, the industry expected continued downward pressure on prices. How could Stryker effectively deal with these developments to continue its growth?

WEB CASE 4  Sykes Enterprises  
(Contributor: Maryanne M. Rouse)  
Sykes provided outsourced customer relationship management services worldwide in a highly competitive, fragmented industry. Like its customers, Sykes had recently been closing its call centers in America and moving to Asia in order to reduce costs. Small towns felt betrayed by the firm’s decision to leave—especially after providing financial incentives to attract the firm. Nevertheless, declining revenue and net income caused the company’s stock to drop to an all-time low.

WEB CASE 5  Pfizer, Inc.  
(Contributor: Maryanne M. Rouse)  
With its acquisition in 2000 of rival pharmaceutical firm Warner-Lambert for its Lipitor prescription drug, Pfizer had become the world’s largest ethical pharmaceutical company in terms of sales. Already the leading company in the United States, Pfizer’s purchase of Pharmacia in 2002 moved Pfizer from fourth to first place in Europe. Will large size hurt or help the company’s future growth and profitability in an industry facing increasing scrutiny?

WEB CASE 6  Williams-Sonoma  
(Contributor: Maryanne M. Rouse)  
Williams-Sonoma was a specialty retailer of home products. Following a related diversification growth strategy, the company operated 415 Williams-Sonoma, Pottery Barn, and Hold Everything retail stores throughout North America. Its direct sales segment included six retail catalogues and three e-commerce sites. The company must deal with increasing competition in this fragmented industry characterized by low entry barriers.

WEB CASE 7  Tyson Foods, Inc.  
(Contributor: Maryanne M. Rouse)  
Tyson produced and distributed beef, chicken, and pork products in the United States. It acquired IBP, a major competitor, but had been the subject of lawsuits by its employees and the EPA. How should
management deal with its poor public relations and position the company to gain and sustain competitive advantage in an industry characterized by increasing consolidation and intense competition?

WEB CASE 8 Southwest Airlines Company

(Contributor: Maryanne M. Rouse)

The fourth-largest U.S. airline in terms of passengers carried and second-largest in scheduled domestic departures, Southwest was the only domestic airline to remain profitable in 2001. Emphasizing high-frequency, short-haul, point-to-point, and low-fare service, the airline had the lowest cost per available seat mile flown of any U.S. major passenger carrier. Can Southwest continue to be successful as competitors increasingly imitate its competitive strategy?

WEB CASE 9 Outback Steakhouse, Inc.

(Contributor: Maryanne M. Rouse)

With 1,185 restaurants in 50 states and 21 foreign countries, Outback (OSI) was one of the largest casual dining restaurant companies in the world. In addition to Outback Steakhouse, the company was composed of Carrabba’s Italian Grill, Fleming’s Prime Steakhouse & Wine Bar; Bonefish Grill, Roy’s, Lee Roy Selmon’s, Cheeseburger in Paradise, and Paul Lee’s Kitchen. Analysts wonder how long OSI could continue to grow by adding new types of restaurants to its portfolio.

WEB CASE 10 Intel Corporation

(Contributor: J. David Hunger)

Although more than 80% of the world’s personal computers and servers used its microprocessors, Intel was facing strong competition from AMD in a maturing market. Sales growth was slowing. Profits were expected to rise only 5% in 2006 compared to 40% annual growth previously. The new CEO decided to reinvent Intel to avoid a fate of eventual decline.

WEB CASE 11 AirTran Holdings, Inc.

(Contributor: Maryanne M. Rouse)

AirTran (known as ValuJet before a disastrous crash in the Everglades) was the second-largest low-fare scheduled airline (after Southwest) in the United States in terms of departures, and along with Southwest the only U.S. airline to post a profit in 2004. The company’s labor costs as a percentage of sales were the lowest in the industry. Will AirTran continue to be successful in this highly competitive industry?

WEB CASE 12 Boise Cascade/Office Max

(Contributor: Maryanne M. Rouse)

Boise Cascade, an integrated manufacturer and distributor of paper, packaging, and wood products, purchased Office Max, third-largest office supplies catalogue retailer (after Staples and Office Depot), in 2003. Soon thereafter Boise announced that it was selling its land, plants, headquarters location, and even its name to an equity investment firm. Upon completion of the sale in 2004, the company assumed the name of OfficeMax. Can this manufacturer become a successful retailer?

WEB CASE 13 H. J. Heinz Company

(Contributor: Maryanne M. Rouse)

Heinz, a manufacturer and marketer of processed food products, pursued global growth via market penetration and acquisitions. Unfortunately, its modest sales growth was primarily from its acquisitions. Now that the firm had divested a number of lines of businesses and brands to Del Monte Foods, analysts wondered how a 20% smaller Heinz will grow its sales and profits in this very competitive industry.

WEB CASE 14 Nike, Inc.

(Contributor: Maryanne M. Rouse)

Nike was the largest maker of athletic footwear and apparel in the world with a U.S. market share exceeding 40%. Since almost all its products were manufactured by 700 independent contractors (99% of which are in Southeast Asia), Nike was a target of activists opposing manufacturing practices in developing nations. Although industry sales growth in athletic footwear was slowing, Nike refused to change its product mix in 2002 to suit Foot Locker, the dominant global footwear retailer. Was it time for Nike to change its strategy and practices?