



TENTH EDITION

# STRATEGIC MANAGEMENT

Formulation, Implementation, and Control

Pearce / Robinson



McGRAW-HILL INTERNATIONAL EDITION



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**PART FOUR****CASES 427**

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**Section A BusinessWeek Cases 1-1****1 American Express: CHARGE! 1-1****Mara Der Hovanesian**

*This is the moment Kenneth I. Chenault, chief executive officer of American Express Co., has waited for his entire career. As a fresh recruit in charge of strategic planning more than two decades ago, he sought to move AmEx beyond its lucrative niche as an upscale credit card—an idea too radical for the company's old guard. Now he has his chance.*

**2 Two Men and a Lot of Trucks 2-1****Stacy Perman**

*Lansing (Mich.)-based Two Men and a Truck operates in 27 states, making 250,000 moves last year, generating \$150 million in revenue along the way. This case examines how its success was born largely out of founder Sheets's early discovery that local, residential hauls—from Point A to Point B within the same city, as opposed to long-distance—were a greatly underserved market and her strategy to build a franchised business to serve that need. She initially ran the part-time operation from her dining room, starting it in 1985 with \$385 to invest: paying two men to help load a customer's furniture into an old, rented pick-up truck.*

**3 Bang! Racing Company: A Wild Ride at NASCAR 3-1****Mark Hyman and Jordan Burke**

*Beseiged by angry investors and stung by sponsor defections, Alex Meshkin's once-promising Bang! Racing is reeling. That begs a number of questions: For starters, how did a whippersnapper with zero experience running a motor racing team elbow his way into NASCAR?*

**4 Best Buy and Circuit City: The Warranty Windfall 4-1****Robert Berner**

*Here's a secret two of the nation's largest consumer-electronics chains don't want investors to know. As TVs, portable DVD players, and other stuff fly off their shelves, Best Buy Co. and Circuit City Inc. are not banking on them to rake in the profits. Instead, they're counting on the extended warranty contracts that they sell aggressively along with the goods.*

**5 Coca-Cola: Gone Flat 5-1****Dean Faust and Nanette Byrnes**

*Coca-Cola Co. was one of the most respected companies in America, a master of brand-building*

*and management in the dawning global era. Now the Coke machine is badly out of order. Coke's struggles now include battles with its own bottlers; the aged, overbearing board; the failed CEOs and failed attempts to recruit a successor; the dearth of new products; the lackluster marketing.*

**6 Golf Equipment Industry: Driven To Succeed 6-1****Mark S. Murphy**

*As the pressure to perform has ratcheted up across the whole economy and especially for publicly traded companies, golf equipment manufacturers have taken big risks to develop a hit driver. The rewards are tremendous, but the cost of failure can be huge.*

**7 Iran: The Mideast's Model Economy 7-1****Stanley Reed and Babak Pirouz**

*Believe it or not, Iran, a charter member of President Bush's "axis of evil," may be morphing into a fairly progressive capitalist economy. Propelled by rising oil prices, the Iranian economy grew at a respectable 5.9 percent last year while the Tehran Stock Exchange produced gains of 130 percent for its investors.*

**8 Juicy Couture: To Live and Thrive in L.A. 8-1****Christopher Palmeri**

*Juicy Couture's founders are spinning gold from Valley Girl "casual chic." After selling out to Liz Claiborne, Juicy's founders have become a major force in U.S. retail apparel sales by featuring laid-back, sometimes cheeky clothes that are priced just his side of outrageous.*

**9 Legal Environment of Business: How to Fix the Tort System 9-1****Mike France**

*The passage of the Class Action Fairness Act (CAFA), the recent federal tort fix, influences the design of children's toys, the contents of 10-ks, how often office workers must view sexual harassment prevention videos, the amount of money given to asbestos victims, and countless other unique features of U.S. society.*

**10 Lehman Brothers: Lehman's New Street Smarts 10-1****Emily Thornton**

*In 2003, Lehman had catapulted ahead of a slew of Wall Street rivals to become a serious investment-banking power, and Chairman and Chief Executive Officer Richard S. Fuld Jr. was not letting up. Lehman's success is all the more surprising given that for much of the 1990s, it was considered takeover bait for one of the bigger and better-capitalized Wall Street houses.*



- 11 Louis Vuitton: The Vuitton Money Machine 11-1**  
**Carol Matlack and Diane Brady**  
*From design to manufacturing to advertising, Vuitton, the French luxury good purveyor, is a supremely well-oiled machine, easily outdistancing rivals Gucci, Hermès, and Prada in sales and operating margins. And like all elite brands, Vuitton must wage a constant battle against counterfeit rings—recently pressuring the Chinese to close a knockoff factory in Guangzhou.*
- 12 NASCAR: The Prince of NASCAR 12-1**  
**Tom Lowry**  
*The ascension of Brian France to the throne of NASCAR signals new departures in a sport that's become one of America's biggest moneymakers. Brian, who loves Tinseltown, insists NASCAR races are entertainment.*
- 13 Nokia: Will Rewiring Nokia Spark Growth? 13-1**  
**Andy Reinhardt and Moon Ihlwan**  
*Digital television on handsets is just one of the far-out schemes that Nokia Corp., the world's largest mobile-phone maker, is hatching to resurrect flagging growth. Although the company sold an amazing 208 million handsets last year, up 16 percent from 2003, fierce competition and sagging prices pushed mobile-phone revenues down 3 percent, to \$30 billion.*
- 14 Outsourcing Innovation: A Contentious Corporate Strategy 14-1**  
**Pete Engardio and Bruce Einhorn**  
*When Western corporations started outsourcing, most insisted all the important research and development would remain in-house. But that pledge is now passé. Asian contract manufacturers and independent design houses have become forces in nearly every tech device, from laptops and high-definition TVs to MP3 music players and digital cameras.*
- 15 Pfizer's Pharmaceutical's Funk 15-1**  
**Amy Barrett**  
*For pharmaceutical companies, Pfizer being the leader, it looks an awful lot like the end of an era as the blockbuster model doesn't really work anymore. The diseases Pfizer and others now chase are harder to defeat with a one-pill, mass-market solution.*
- 16 Siemens Corp.'s New Boss: Can He Deliver? 16-1**  
**Jack Ewing and Diane Brady**  
*Workers at a Siemens unit that makes X-ray machines and other diagnostic equipment were shocked when, in 1998, a cocky new boss asked them to work more flexible shifts to speed*
- production. The new guy, a 40-year-old up-and-comer named Klaus Kleinfeld, even wanted some people to work weekends, practically unheard of.*
- 17 Societal Trend: Far from the Madding Crowd 17-1**  
**Michelle Colin**  
*With housing prices on both coasts at nosebleed level, more and more professional-class migrants are cashing out of their homes and creating a growing group of real estate vanguards called equity refugees. The moves are also a response to mounting personal debt, battered portfolios, insufferable traffic, and angst-producing status competition.*
- 18 Societal Trend: Now, the Geezer Glut 18-1**  
**Peter Engardio and Carol Matlack**  
*It is not just Europe—China and other emerging-market economies are aging fast, too. But in the not-too-distant future, hundreds of millions of people in the industrialized world could look back at the early 21st century as the beginning of the end of a wonderful era, when even average workers could retire in reasonable comfort in their still-vigorous 50s.*
- 19 Sony's Sudden Samurai 19-1**  
**Brian Bremmer**  
*The announcement that Sir Howard Stringer, a non-Japanese, would take over management control of Sony Corp., a \$68 billion consumer-electronics and entertainment colossus, came pretty close to defying belief in Japan.*
- 20 Symantec Corp.: I Can't Wait to Compete . . . 20-1**  
**Sarah Lacy**  
*John W. Thompson, chief executive of security software giant Symantec Corp., is trying to complete the \$13 billion Veritas merger in the face of Wall Street opposition, at the same time he's preparing Symantec for what's shaping up to be an all-out war with fearsome Microsoft Corp.*
- 21 Technological Environment of Business: Hydrogen Cars Are Almost Here, But . . . 21-1**  
**Otis Port**  
*At the 2005 auto show in Los Angeles, U.S. car enthusiasts got their first look at the H2R, a race car from BMW Running on hydrogen, it develops 286 horsepower and propels the H2R from zero to 60 in under six seconds. And the car hit 187 mph at the Miramas racetrack in France.*
- 22 United Technologies: The Unsung CEO 22-1**  
**Diane Brady**  
*George David of United Technologies Corp. transformed his old-line industrial conglomerate into a \$31 billion powerhouse of productivity with*



relentless attention to detail. And while he can terminate thousands of workers at a stroke in the name of efficiency, he also has crafted one of the most progressive employee education programs in the world.

**23 UPS: Big Brown's New Bag 23-1**

**Dean Foust**

*With its U.S. delivery business maturing, UPS has been working feverishly to transform itself into a logistics expert. The shift in focus is not without risks for UPS. Contract logistics is historically a lower-margin business than package delivery. But UPS maintains it is already seeing such a payoff. UPS is taking on more and more contracts where its brown trucks aren't involved—or where they come into play only at the end of the journey.*

**24 Video Game Industry: Game Wars 24-1**

**Ronald Glover and Cliff Edwards**

*While broadcast TV audiences dwindle and movie going stagnates, gaming is emerging as the newest and, perhaps, strongest pillar of the media world. Gaming is exploding in all directions—going online, mobile, and global.*

**25 Young & Rubicam: ACT II: Ann Fudge's Two Year Break from Work Has Changed Her Life 25-1**

**Diane Brady**

*Ann Fudge is an odd duck in Corporate America, and not just because she's a CEO who is also black and female. Fudge, who now heads communications and advertising giant Young & Rubicam Inc., did the unthinkable for a high-powered, rising-star executive: She took two years off—to read, write, travel, and enjoy life.*

**Section B Comprehensive Cases 26-1**

**26 JetBlue Airways 26-1**

**Brian Shutt, Mary Kay Sullivan, and John Gallagher**

*JetBlue has developed the ability to build competitive advantage from a set of interrelated value-creating activities that are also very difficult for other participants in the airline industry to replicate. Should JetBlue continue this strategy or consider alternatives based on dramatic changes occurring in or arising outside the airline industry that dramatically influence its future?*

**27 Kentucky Fried Chicken and the Global Fast-Food Industry—2005 27-1**

**Jeffrey A. Krug**

*KFC's business strategy from the 1990s through 2005 is examined from both a domestic and an*

*international perspective. The case seeks an evaluation of KFC's industry and competitive environments both domestically and in Latin America with a conclusion about its most desirable strategic options.*

**28 High Tech Burrito 28-1**

**Armand Gilinsky, Diana Clark, Randall D. Harris, and T. K. Clarke**

*Californian Greg Maple's restaurant business started as a small well-located Burrito shop and has grown to be a 16-store enterprise in the San Francisco Bay Area. Capitalizing on the beginning of the "fast-casual" trend in the restaurant industry, Greg considered several options for his business as he attempted to position HTB for future growth and success.*

**29 The Pet Care Industry: From PetsMart to Camp Bow Wow 29-1**

**Debora J. Gilliard**

*The \$36 billion U.S. pet products industry is expected to average 6 percent annual growth through 2010. Industry leader PetsMart must consider its future strategy needs as it looks toward 2010. The case also examines the rapidly growing niche (20% annually) market of dog daycare, and a Denver-based startup, Camp Bow Wow—a rapidly growing participant in this niche.*

**30 From KaZaA to Skype 30-1**

**N. Rajshekar, V. Kalyani**

*The creators of KaZaA, the online file-sharing program, entered the Voice over Internet Protocol (VoIP) market with their new service, Skype—a PC-to-PC telephony software using the same peer-to-peer (P2P) infrastructure that was the basis of KaZaA and that did not require expensive central servers for its maintenance. Skype's business model, legal issues, its position in the market, and the challenges it faces are examined.*

**31 Nokia and the Global Mobile Phone Industry 31-1**

**Shirisha Regani**

*Nokia faced many problems in 2004, including the company's tardiness in introducing the clamshell phones and its resistance to manufacturing operator specific handsets. The challenges the company faces in the future and the various options ahead of it in attempting to reclaim its previous prominence are examined and analyzed.*

**32 Anheuser-Busch and Harbin Brewery Group of China 32-1**

**Michael H. Moffet and Kannan Ramaswamy**

*Anheuser-Busch, the U.S. multinational brewer, acquired Harbin Brewery, a Chinese-owned*



- company with extensive operations in the northeast of China. Harbin Brewery was partly owned by SABMiller through a joint venture when AB launched a takeover bid.*
- 33 Coca-Cola's Marketing Challenges in Brazil: The Tubainas War 33-1**  
**Davi Gertner, Rosane Gertner, and Dennis Guthery**  
*Coca-Cola Company was facing challenges in Brazil. Not only was Coke up against its nemesis, Pepsi, it also had to compete with hundreds of local brands, called tubainas, many of which did not pay taxes. How can Coke better compete in the Brazilian soft-drink industry?*
- 34 The National Basketball Association's International Strategy 34-1**  
**Kyle Moon and John Lawrence**  
*The National Basketball Association has played with international growth through a variety of different tactics over the past several decades. Due to the success of its international campaign, the NBA has seen a dramatic influx of foreign-born players in the NBA. The NBA's strategic options for global expansion are examined and evaluated.*
- 35 Wal-Mart Stores Inc.: Dominating Global Retailing 35-1**  
**Kannan Ramaswamy**  
*The fundamental features of the business model that Wal-Mart has been adopting, both in the United States and abroad, are examined. The likelihood of Wal-Mart's continued success in the face of allegations of labor violations, increasing competition in foreign markets, and the likelihood of a supplier push-back against Wal-Mart's continued pressure to bring down their prices is questioned and examined.*
- 36 Target Stores' Differentiation Strategies 36-1**  
**Suchitra Jampani and Ajith Sankar**  
*Target entered the discount retailing sector in 1962. It has succeeded in differentiating itself from other discount retailers. The case also elaborates on the merchandising, advertising, and branding efforts of Target, which helped to create a unique image in the minds of Target customers, allowing it to become the second largest retailer in the discount retail industry.*
- 37 Apple Computer 2005: iTunes, iPod and iMac 37-1**  
**Katie Sticklor, Wendy Silva, and Alan N. Hoffman**  
*Much like Steven Jobs's first Apple computer in the mid-1980s, the brilliant creation of the iPod and iTunes music service in the last few years by Jobs and Apple has launched a whole new global industry. Here is an excellent study of innovation strategy and a chance to explore whether this is Apple's last hoorah or just an interim step.*
- 38 Best Buy: Staying at the Top 38-1**  
**Henri Bourgeois**  
*Best Buy is the largest North American retailer in consumer electronics. However, the company's current chief executive officer, Brad Anderson, who recently took over from Best Buy's legendary founder, Dick Schulze, is facing some major challenges. We ask you to analyze and make recommendations regarding the leadership challenges in sustaining superior performance, as well as compare your inclinations to what Anderson has done.*
- 39 Benetech Bookshare.org: A Technology Social Venture 39-1**  
**Geoffrey Desa, Suresh Kotha, and Douglas E. Olesen**  
*Bookshare.org is a nonprofit venture started by a successful Silicon Valley entrepreneur, Jim Fruchterman. Based on Napster file-sharing software, he began this venture that shares digital books with sight and print impaired persons. The strategies, tactics, and issues involved in the development of this social venture and its growth are examined and discussed.*
- 40 Making It Big 40-1**  
**Joan Winn**  
*Cynthia Riggs founded a company that manufactures clothing for large and "super size" women. After rapid growth into the new century, Make It Big experienced average annual sales declines exceeding 5 percent over the last four years. Employee morale dropped, as did Riggs's enthusiasm, and she was not sure what to do. Strategic analysis and sound strategic options are explored in response to this dilemma.*
- 41 The Apollo Group, Inc. (University of Phoenix) 41-1**  
**Richard B. Robinson**  
*The University of Phoenix and three other educational businesses comprise The Apollo Group, Inc. It is an exciting story about an education business built by a visionary entrepreneur, John Sperling, who was concerned about the inadequate higher educational options provided to working adults by traditional colleges and universities. In the process, UOP has become the largest private university in America. Has its phenomenal ride to the top reached its peak, or is future growth just as bright?*



- 42 XM Radio: The Sky Is the Limit 42-1**  
**Joseph Jordan, Melissa A. Schilling, Matthew Shaffer, Jason Sullivan, and Nancy Wolfe (Part A), and Richard Robinson (Part B)**  
*XM Satellite Radio's business model called for two primary revenue sources, a \$9.99 subscription fee and advertising space in several of its programming channels. By 2005, however, XM was facing mounting losses and the future seemed anything but certain. Some market analysts were beginning to have second thoughts about XM's long-term prospects.*
- 43 BET: The Edge on Talent 43-1**  
**Gerry Yemen, Erika James, and Martin Davidson**  
*Robert L. Johnson accomplished what many thought couldn't be done: He founded a company that leveraged managerial talent, largely African American, and grew it into one of the leading media companies in the world. The start-up of Black Entertainment Television (BET) is compared with businesses in other industries and markets. The case offers an opportunity to examine the strategic benefits of the BET brand to various consumer groups and to assess the growth and viability of each group and product category.*
- 44 Robin Hood 44-1**  
**Joseph Lampel**  
*You are put in the position of being a strategic aide-camp to Robin Hood as CEO of his merry band of outlaws in Sherwood Forest many years ago. Robin seeks to evaluate his past tactics and current strategic options in an evolving competitive rivalry with the Sheriff of Nottingham for the hearts and minds of people in the region.*
- 45 Southwest Airlines Act II—An Airline in Trouble? 45-1**  
**Shirisha Regani**  
*Southwest's culture has changed in the last few years. To what extent were these changes related to leadership? New CEO Gary Kelly must now change the culture for the better and replace legendary Herb Kelleher at the helm of Southwest Airlines.*
- 46 IKEA's Innovative Human Resource Management Practices and Work Culture 46-1**  
**Shirisha Regani**  
*IKEA was one of the largest furniture manufacturers and retailers in the world, with operations in 32 countries. It is also well known for its stylish and innovative designs. IKEA's main strength has always been its committed workforce, which was often the source of the company's innovative concepts. Can IKEA keep that in an outsourcing world?*
- 47 The Procter & Gamble (P&G)—Gillette Merger 47-1**  
**Ruchi Chaturvedi N.**  
*Gillette and Procter & Gamble, the two leading global consumer goods companies, have merged. What was the thinking behind the merger? What synergies can the companies expect? Possible threats to the merger, including cultural differences, are also discussed.*
- 48 Turnaround of JCPenney 49-1**  
**Ajith Sankar**  
*JCPenney used to be a leading U.S. retailer, but it was unable to adapt itself to the changing business environment of the 1990s. It has since moved from a decentralized to a centralized merchandising system, revamped its HR practices, sold off its drugstore Eckerd, and repositioned itself as a trendy, yet value-oriented retailer. Now Penney's revenues and stock prices are improving dramatically.*
- 49 DaimlerChrysler AG and the Global Automotive Industry 49-1**  
**Robert J. Mockler, Marc E. Gartenfeld, and Besnik Fetoski**  
*DaimlerChrysler and the automobile industry are emerging from the economic downturn of a few years ago and making strategic decisions looking toward 2010 and beyond. DaimlerChrysler has still been losing money long after the synergies from its earlier merger had been expected to be in full swing. The challenge facing its CEO? Reshape DaimlerChrysler so that it can once again produce attractive returns for its increasingly frustrated stockholders.*
- 50 General Motors—2005 50-1**  
**David Welch, Dan Beucke, Emily Thornton, and Richard Robinson**  
*General Motors is a global icon at a critical juncture in its existence. GM is losing an average of \$1 billion every two months, it is saddled with a \$1,600-per-vehicle handicap in "legacy costs," retirement health and pension benefits, and an inevitable junk bond rating. Can it survive intact, or will its 100-year-old brand names be acquired by a Chinese, Korean, or Japanese suitor?*
- NAME INDEX I-1**
- SUBJECT INDEX I-11**
- CASE INDEX I-25**