SEVENTH EDITION

CASES TO ACCOMPANY CONTEMPORARY STRATEGY ANALYSIS

ROBERT M. GRANT

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1 Madonna

Madonna has been one of the world's leading female entertainers for more than two decades. She shows an inexhaustible capacity to defy changes in style and her own aging by continually reinventing herself. What can we learn from her remarkable career about the nature of strategy and the foundations of success?

2 Starbucks in 2009: The Coffee Goes Cold

After 20 years of continuous growth, 2007 and 2008 saw a stunning reversal of Starbucks' fortunes as sales and profits declined, and the share price collapsed. The return of Howard Schultz as CEO was followed by a wide strategy of retrenchment and revitalization. Assessing the current situation and direction of the company requires a careful evaluation of the Starbucks financial performance and its strategy. To what extent are Starbucks' problems a result of the recent recession, and to what extent do they reflect more fundamental weaknesses of the company and its strategy?

3 The U.S. Airline Industry in 2009

After a brief revival in its fortune during 2005–7, the U.S. airline industry has once more plunged into familiar conditions of industry-wide losses and frequent bankruptcies. Why is it that an industry that has benefitted from growing customer demand generates such dire financial performance? What is the outlook for the future? Is the airline industry condemned to intense price competition and weak margins, or is it possible that structural changes in the industry and adjustments to the airlines' competitive strategies might see a reversal of fortune?

4 Ford and the World Automobile Industry in 2009

Like other U.S. automakers, Ford Motor Company incurred huge losses during 2006–8, but, unlike General Motors and Chrysler, it has escaped
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4 Ford and the World Automobile Industry in 2009

Like other U.S. automakers, Ford Motor Company incurred huge losses during 2006–8, but, unlike General Motors and Chrysler, it has escaped
bankruptcy. Ford’s ability to survive the next five years depends critically on the state of the world automobile industry. The case asks you to advise Ford’s head of strategic planning on the direction of profitability in the industry based on an analysis of the evolving structure of the global automobile industry and its implications for competition. It shows how internationalization and maturity in an industry can combine to create intense competition and weak margins. It also calls for an examination of why some companies are consistently more profitable than others and for the identification of key success factors in the industry.

5 Wal-Mart Stores Inc., 2009
From its humble origins in Bentonville, Arkansas, Wal-Mart has grown to be the world’s largest retailer and the world’s biggest corporation (in revenue). In the intensely competitive world of discount retailing, what is the basis of Wal-Mart’s competitive advantage? Understanding the basis of Wal-Mart’s success requires careful analysis of the resources and capabilities that Wal-Mart has built over time. What does the future hold for Wal-Mart? Will growing size and success blunt Wal-Mart’s drive for cost efficiency? Will Wal-Mart’s competitive advantage be undermined either by imitation by competitors or by changing market circumstances?

6 Manchester United: Preparing for Life without Ferguson
For nearly two decades, Manchester United has been the most successful English soccer club. The club faces the prospect of the retirement of the primary architect of that success: veteran team manager, Sir Alex Ferguson. What should be the approach of the Manchester United board and CEO in planning the continued development of the club? The case probes the interaction between financial and team performance in professional sport and explores the determinants of team-based capabilities in the intensely competitive world of European professional soccer. A critical issue for Manchester United—and for any professional sports team—is whether exceptional team-based capabilities are the result of superior resources (players in particular) or of superior coordination of the resources.

7 Eastman Kodak: Meeting the Digital Challenge
Eastman Kodak faces the challenge of adjusting to the transformation of technology in the photographic imaging industry. Kodak has staked its future on being a leader in digital imaging. Despite massive investment, a string of acquisitions and strategic alliances, Kodak’s ability to establish competitive advantage within the digital imaging sector and to generate satisfactory returns from its investments remains in doubt. The case describes Kodak’s digital imaging strategy and explores the challenges faced by CEO Antonio Perez in developing the organizational capabilities required to succeed in the fast-moving digital imaging sector.
8 Procter & Gamble’s Organization 2005 Project
In June 2000, Procter & Gamble’s board fired its CEO and appointed A. G. Laffey in his place. The most important decision facing Laffey is what to do about Organization 2005, a far-reaching program of organizational restructuring launched by his predecessor. The case outlines the development of P&G’s organizational structure and the complex set of issues that influence the company’s need to balance different dimensions of performance. Given the need to strengthen new product innovation, should P&G strengthen the role of its global product divisions?

9 AirAsia: The World’s Lowest Cost Airline
Malaysian-based AirAsia has the distinction of having a lower cost per passenger per kilometer flown of any of the world’s larger airlines. The case explores the sources of AirAsia’s cost efficiency and examines AirAsia’s expansion into long-haul flights. Although AirAsia appears to be a cost leader on its Kuala Lumpur to London route, combining long-haul and short-haul flights risks compromising the simplicity and consistency of AirAsia’s business model.

10 Harley-Davidson Inc., July 2008
Harley-Davidson’s operational and financial performance during the 25 years since a management buyout has been spectacular. Harley exemplifies the performance benefits of a strategy that exploits limited resource strengths while protecting against a broad array of weaknesses relative to Harley’s bigger rivals. In May 2009, Harley’s new CEO, Keith Waddell, was facing Harley’s first decline in sales and profits in 25 years. The case requires an appraisal of Harley-Davidson’s competitive advantage and a consideration of whether its problems are simply a result of the current recession or point to a more fundamental deterioration in Harley’s competitive position.

11 Raisio Group and the Benecol Launch
Raisio, a long-established grain-milling and vegetable oil company, has become the darling of the Helsinki stock market as a result of an innovatory food ingredient, stanol ester, which reduces cholesterol levels in the human body. Its margarine, Benecol, which includes stanol ester, has become a runaway success in Finland. The question presented by Case A is “how should Raisio exploit its innovation on the world market?” Case B takes up the story two years later when Raisio’s global partnership with Johnson & Johnson is encountering difficulties and Raisio has competition from Unilever to contend with. What has gone wrong and what can Raisio do to get back on track?

12 Rivalry in Video Games
In 2009, the world market for video game consoles has reached an interesting stage. After over a decade of domination by Sony, Nintendo has emerged as the surprising winner in the seventh generation of video consoles. The case provides a history of competition in the industry and
requires an analysis of key success factors in this winner-take-all industry. The success of Nintendo’s Wii points to a significant change in the dynamics of competition in the industry. The balance of power between hardware and software suppliers has shifted; online game playing has grown and the industry has lost several of its winner-take-all attributes. The three leading players—Nintendo, Microsoft, and Sony—are gearing up for the next generation of video-game consoles. To recommend strategies for each of the participants, the case requires an analysis of the potential for network externalities, the implications of changing technology and demographics, and the resource and capability strengths of each firm.

13 **DVD War of 2005-8: Blu-ray versus HD-DVD**

Toshiba’s February 19, 2008 announcement that it was stopping production of its HD-DVD marked the end of the standards war between Sony and Toshiba for leadership in the next generation of high-capacity DVDs. This account of the two-year struggle between Toshiba and Sony offers insight into the dynamics of standards war, and allows us to consider what Toshiba might have done differently in order to succeed against Sony’s Blu-ray.

14 **New York Times**

During 2009, the New York Times Company is struggling against declining revenues, large losses and difficulties in refinancing its borrowings. These problems reflect both the current recession and the long-term decline in newspaper readership. The group addresses its financial problems through cost reduction while also seeking a new business model that addresses the shift of news readership and advertising from print media to the internet.

15 **Eni SpA: Building an International Energy Major**

Eni’s metamorphosis from a widely diversified, inefficient, state-owned corporation to a highly profitable, shareholder-owned, international energy major is a tale of corporate transformation over a 15-year period. In 2009, CEO Paolo Scaroni is considering Eni’s strategy for the next four years and beyond. Despite Eni’s outstanding operational and financial performance, Eni faces important questions of corporate strategy. Which businesses should it include within its corporate portfolio? How should it allocate its investment budget between them? What geographical scope is appropriate for the company? What is the scope for managing linkages between Eni’s different businesses? Answering these questions requires analysis of the determinants of profitability in the oil and gas sector, and an assessment of Eni’s resources and capabilities relative to other integrated energy majors.

16 **American Apparel: Vertically Integrated in Downtown L.A.**

American Apparel is an unusual company. While most U.S. fashion clothing is produced offshore in low-wage countries, American Apparel’s tee-shirts are designed and manufactured in downtown Los Angeles then sold in company-owned retail stores. The case outlines the logic of American Apparel’s strategy of vertical integration and considers the challenges facing
the company as it grows in size and international scope, and as the diversity of its product range increases.

17 Outback Steakhouse: Going International

During the early 1990s, Outback Steakhouse became one of America's most successful restaurant chains as a result of a strategy that was unusual but fitted well with Outback's targeted niche, and its resources and capabilities. In 1994, the prospect of market saturation in the U.S. and awareness of opportunities overseas, encouraged Outback to explore international expansion. To what extent is the Outback restaurant concept, strategy, and business system suited to overseas markets? To what extent can Outback recreate its U.S.-based resource and capability strengths overseas, and—given the answers to these questions—what sort of international strategy makes sense for Outback? The case offers an overview of the fundamental considerations relevant to the decisions of whether, and how, to expand internationally.

18 Euro Disney: From Dream to Nightmare

Euro Disneyland was Disney's biggest and riskiest project since the EPCOT Center a decade earlier. What considerations explained the complex mode of entry that Disney adopted for Euro Disney? Unlike Tokyo Disneyland, in which Disney held no equity stake, and the U.S. parks that were wholly owned, Disney held minority ownership in Euro Disney as well as licensing and management contracts. Diagnosing the reasons for Euro Disney's dismal performance has important implications both for the future management of the park and for Disney's plans to build another theme park in Asia. The case requires analysis of two complex sets of questions: first, the choice of foreign market entry mode; second, adaptation to a different national culture.

19 Vodafone: Rethinking the International Strategy

In early summer 2009, CEO Vittorio Colao addressed Vodafone's dismal profitability record. Despite Vodafone's leading position in the world's market for mobile communications, Vodafone was struggling against increasing competition, maturing markets, and asset write downs. A critical issue for Colao is the extent to which Vodafone can benefit from its extensive international scope. Vodafone offers service in 25 countries and has partner agreements in a further 39 countries, yet the potential for reducing costs or providing superior service through cross-border integration appear limited in wireless telecommunication. The case requires an analysis of the potential benefits from international scope in wireless telecommunications and the development of strategy recommendations for Vodafone—especially in relation to its presence in the U.S. and France.

20 Richard Branson and the Virgin Group of Companies in 2007

Richard Branson's Virgin Group of companies has continued to diversify into an ever-widening set of industries—wireless telephony, a U.S. domestic airline, health clubs, bio fuels, even space travel. Despite the success of the airlines and mobile phone businesses, several businesses were making losses. As the Virgin
empire grows larger and more complex, and Branson himself grows older and becomes less directly involved, he needs to consider the corporate strategy of his loose-knit corporate empire. What is the logic, if any, that links together this motley collection of business ventures? Should any of the businesses be divested? What criteria should be used to guide future diversification? Are changes needed in the financial and management structure of the group?

21 Google Inc.: Running Amuck? 338
Google's core product is a highly successful Web search engine. Yet, by 2009, Google has expanded into many areas of Web services, computer software, and advertising management services that it is no longer clear what its corporate strategy is. The challenge of the case is to discern what objectives are driving Google's strategy, to consider whether these objectives are consistent with the interests of shareholders, to assess the strategic logic behind Google's current range of activities and products, and to make recommendations for Google's future development.

22 Bank of America's Acquisition of Merrill Lynch 360
In December 2008, Bank of America's board had its final chance to withdraw from its acquisition of Merrill Lynch. The acquisition offered Bank of America the chance to build America's biggest wealth-management company, and establish itself as a leading global corporate and investment bank. However, new evidence of the extent of Merrill Lynch's losses confirmed that Bank of America was overpaying for its acquisition. The case requires an assessment of the likely synergies from the merger, an appraisal of the "universal banking" model, and consideration of the challenges of integrating the two companies.

23 Jeff Immelt and the Reinventing of General Electric, 2009 381
Jeff Immelt's eight years at GE have been among the most turbulent in the company's history. The case looks beyond GE's short-term problems to consider the corporate strategy and the organization changes being put in place by Immelt. To what extent is Immelt's emphasis on business development, innovation, and higher levels of organizational integration consistent with the trends in GE's business environment and with the company's resources and capabilities. Does GE possess the management systems and leadership capabilities needed to make Immelt's strategy work, or does the company need to look to more radical strategic solutions—including breakup?

24 W. L. Gore & Associates: Who's In Charge Here? 410
W. L. Gore, the manufacturer of Gore-Tex, has a unique organization structure and management style build around its "lattice" principle. The result is a remarkable lack of hierarchy and exceptional decentralization of decision making to self-managing teams. The case offers the opportunity to consider the advantages and disadvantages of Gore's management structure, and the potential to apply it to other companies.