

SEVENTH EDITION

# Strategic Management: Theory and Practice

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# Dedication

*To my students*

—John Parnell

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# Preface

## Description of Text

The challenge of strategic leadership has never been more demanding. Executives and managers at all levels must think strategically and effectively leverage resources to remain competitive. This text helps them draw from all functional areas of business and present a cohesive strategic management model. It is most useful for students with backgrounds in related fields such as management, marketing, finance, accounting, and economics.

This text has three distinguishing characteristics. First, it is organized sequentially around the strategic management process:

- Foundation (Chapter 1)—*Overview*
- External Environment (Chapters 2–4)—*Step 1*
- Internal Environment (Chapter 5)—*Step 2*
- Fundamentals of Strategy (Chapters 6–8)—*Step 3 (Content)*
- Strategy Formulation (Chapter 9)—*Step 3 (Process)*
- Strategy Execution (Chapters 10 and 11)—*Step 4*
- Strategic Control (Chapter 12)—*Step 5*

Global issues are emphasized throughout the text, with extensive coverage of China and Mexico. Numerous examples—many from the *Wall Street Journal*—are also integrated into the chapters. This process orientation also includes a compelling chapter on ethics and social responsibility.

Second, the strategic management model used in case analysis is linked directly to chapter content. The 25 questions in the model are presented in *case-analysis boxes* throughout the text. Each chapter also includes a *Capstone 101* section integrating chapter concepts with decisions students make for their companies in Capsim’s competitive business simulation (see the Preface for Capsim’s Capstone 2.0 on p. xii).

Finally, the text presents modern strategic management concepts and ideas clearly and succinctly. Well-known firms like Walmart, McDonald’s, and Amazon are featured throughout, which helps students understand and apply the concepts. The book can be covered in a typical capstone business course while retaining valuable time

for case projects, a computer simulation, discussions of real-time strategic issues, and other activities.

## What’s New in This Edition

The strategic management model remains relatively unchanged from the previous edition. The book includes numerous updates from the pandemic and more examples from the *Wall Street Journal* and other sources, especially in the chapters that address the external environment and organizational strategies.

Each chapter includes a brief, real-time case at the end. Each case is appropriate for class discussions or as a springboard for term projects, creating a broad range of assignment options.

## Online and in Print

### Student Options: Print and Online Versions

This seventh edition of *Strategic Management: Theory and Practice* is available in multiple versions: online, in PDF, and in print as either a paperback or loose-leaf text. The content of each version is identical.

The most affordable version is the online book, with upgrade options including the online version bundled with a print version. What’s nice about the print version is that it offers you the freedom of being unplugged—away from your computer. The people at Academic Media Solutions recognize that it’s difficult to read from a screen at length and that most of us read much faster from a piece of paper. The print options are particularly useful when you have extended print passages to read.

The online edition allows you to take full advantage of embedded digital features, including search and notes. Use the search feature to locate and jump to discussions anywhere in the book. Use the notes feature to add personal comments or annotations. You can move out of the book to follow Web links. You can navigate within and between chapters using a clickable table of contents. These features allow you to work at your own pace and in your own style as you read and surf your way through the material. (See “Harnessing the Online Version” for more tips on working with the online version.)

## Harnessing the Online Version

The online version of *Strategic Management: Theory and Practice*, 7e, offers the following features to facilitate learning and to make using the book an easy, enjoyable experience:

- **Easy-to-navigate/clickable table of contents**—You can surf through the book quickly by clicking on chapter headings, or first- or second-level section headings. And the Table of Contents can be accessed from anywhere in the book.
- **Key terms search**—Type in a term, and a search engine will return every instance of that term in the book; then jump directly to the selection of your choice with one click.
- **Notes and highlighting**—The online version includes study apps such as notes and highlighting. Each of these apps can be found in the tools icon embedded in the Academic Media Solutions/Textbook Media's online eBook reading platform: (<http://www.academicmediasolutions.com>).

## Instructor Supplements

In addition to its student-friendly features and pedagogy, the variety of student formats available, and the uniquely affordable pricing options that are designed to provide students with a flexibility that fits any budget and/or learning style, *Strategic Management: Theory and Practice*, 7e, comes with the following teaching and learning aids:

- **Test Item File**—An extensive set of multiple-choice, short answer, and essay questions for every chapter for creating original quizzes and exams.
- **Instructor's Manual**—An enhanced version of the book offering assistance in preparing lectures,

identifying learning objectives, developing essay exams and assignments, and constructing course syllabi.

- **PowerPoint Presentations**—Key points in each chapter are illustrated in a set of PowerPoint files designed to assist with instruction.
- **Online Video Labs with Student Worksheets**—A collection of high-quality video segments, organized by chapter and accessed via the Web, which illustrate key topics and issues. Instructors are provided with suggested answers for each worksheet (for questions not based on student opinion).

## Student Supplements and Upgrades (Additional Purchase Required)

- **Lecture Guide**—This printable lecture guide is designed for student use and is available as an in-class resource or study tool. Note: Instructors can request the PowerPoint version of these slides to use as developed or to customize.
- **Quizlet Study Set**—Quizlet is an easy-to-use online learning tool built from all the key terms from the textbook. Students can turbocharge their studying via digital flashcards and other types of study apps, including tests and games. Students are able to listen to audio, as well as create their own flashcards. Quizlet is a cross-platform application and can be used on a desktop, tablet, or smartphone.

## Acknowledgments

I want to thank Dan Luciano, Victoria Putman, Lori Bradshaw, and everyone at Academic Media Solutions for their support. I am indebted to numerous colleagues who have reviewed earlier editions of the text, offered valuable suggestions, and used *Strategic Management* in their classes.

## About the Author

John A. Parnell is a professor of management and the Alumni Eminent Scholar in Business at the University of North Alabama. He completed the BSBA, MBA, and MAED degrees from East Carolina University, the EdD from Campbell University, and the PhD from the University of Memphis. Dr. Parnell's academic career includes multiple institutions, including service as the Belk Chair of Management at the University of North Carolina at Pembroke (UNC-Pembroke) and professor and head of the Department of Marketing & Management at Texas A&M University-Commerce. He has received numerous awards for teaching, scholarship, and service, including the H. M. Lafferty Distinguished Faculty Award at A&M-Commerce in 2002, the Adolph Dial Award for Scholarly & Creative Activity at UNC-Pembroke in 2005, the Peter Vaill Award for Service in 2006 and 2016, the Spirit of Inquiry Award from the John William Pope Center for Higher Education Policy in 2011, and the Jim Couch Award for Outstanding Faculty Research at the University of North Alabama in 2024. Dr. Parnell also served as interim dean of the UNC-Pembroke School of Business from 2014 to 2015.

Dr. Parnell is a recognized authority in the field, having published over 250 articles, cases, proceedings, books, and chapters in strategic management and related fields. His work appears in leading journals, including the *Academy of Management Learning and Education*, *American Business Review*, *British Journal of Management*, *Journal of Contingencies & Crisis Management*, *Journal of Business Ethics*, *Journal of Small Business Management*, and *Management Decision*. Dr. Parnell coauthors *Strategic Crisis Management*. He also serves on several academic journal editorial boards and consults on issues related to strategic management. He also appears frequently as a guest discussing issues related to business and competitiveness on Sirius-XM's *Wilkow Majority*.

Dr. Parnell has lectured at many institutions abroad, including Anáhuac University and the EGADE Business School in Mexico, Chung Yuan Christian University in Taiwan, Yangtze Normal University, China University of Geosciences (Beijing), and the Bucharest Academy of Economic Studies. He was also a Fulbright Scholar in Cairo, Egypt, in 1995.

# Preface for Capsim's *Capstone*<sup>®</sup> 2.0

Capsim's Capstone business simulation is intense, competitive, and sometimes unpredictable. It can be an enjoyable learning experience if you approach it correctly and stay focused throughout the game. Here are some best practices for making the most of it:

- 1. Understand Capstone before you start:** The user guide is concise and well written. Read it twice, complete the training modules, take the practice round(s) seriously, and seek answers to questions *before* the official rounds begin. Most students who struggle with Capstone admit that they did not understand it well early on and thought they could “figure it out” along the way.
- 2. Resist shortcuts:** The internet is replete with tricks to “win Capstone.” Some advice is helpful, but some can hurt your company. There are no reliable shortcuts with Capstone, especially if you compete against other student teams because their strategic behavior is unpredictable.
- 3. Grades:** Most professors combine objective performance measures such as profits, market share, stock price, or the balanced scorecard (BSC) with subjective performance measures such as team strategy reports or class presentations. Understand the grading mechanism before the game begins.
- 4. Team formation:** If the simulation involves working in a group, efficient teamwork is essential. Make sure that all team members know their roles and duties, define goals, and establish clear communication routes. If your professor permits you to form teams and you have a request, submit it before the deadline. Moving students from team to team during the game might not be possible.
- 5. Team management:** The divide-and-conquer approach does not work well with Capstone because decisions from all the functional areas should integrate into an overall competitive strategy. Doing some independent work is okay, but students should meet as a team when decisions are finalized for each round. Also, each team member should commit to *full participation* before the game begins. Enforce this requirement during the game and report problems to your professor immediately. Covering for students who are unable or unwilling to participate is unethical and can hurt your grade.
- 6. Strategy:** The best-performing teams identify a strategy at the beginning of the game and build a competitive advantage by implementing a combination of decisions that support it each round. Poor performers ignore strategy and look for quick fixes after each round with wild swings in production, pricing, marketing, and so on. They quickly become reactors (see Chapter 7) and spend the entire game chasing the pack.
- 7. Debriefs:** If your professor unpacks the results of a round, listen intently. Sometimes, students become complacent and ignore debriefs when their companies perform well.
- 8. Market research:** Forecasting is the foundation for all functional decisions in each round. Capstone provides a helpful formula for forecasting based on industry demand, projected industry growth, and company customer satisfaction scores. It provides a great starting point, but forecasts are only as good as the assumptions on which they are based. Adjust the forecasts for anticipated strategic changes, but be conservative. Produce enough products to meet demand if their projections are 10–20% low, and obtain enough capital to cover excess inventory if their forecasts are 10–20% high. Also, do not rely on the default forecasts in your pro formas; they are only placeholders!
- 9. Financial management:** Providing sufficient funds from the best sources can minimize the cost of capital, avoid high-interest emergency loans, maintain a sound credit rating, and maximize performance. Never submit a round of decisions without running pro formas and confirming the assumptions on which they are based.

**10. Stay organized and ask for help:** Plan team meetings and agree on individual responsibilities before the competitive rounds begin. Know when and how to seek help from your professor and Capsim support if you have questions.

You will probably enjoy Capstone and learn much if you invest the necessary time, energy, and planning. However, Capstone is about competition. If you are unprepared, your rivals will take your customers, and your company might struggle.