University of Illinois at Urbana-Champaign
College of Business
Department of Business Administration

BADM 449: STRATEGIC MANAGEMENT / BUSINESS POLICY

Fall 2013

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INTRODUCTION AND COURSE OBJECTIVES

Strategic management deals with decisions that fundamentally influence the direction of the organization and effective implementation of the direction chosen. Strategic management addresses the *organizational structure*, *resources & capabilities*, and the *strategic positioning* of the organization to create, capture, and sustain competitive advantage. In addition to economic *value creation*, management also must make decisions concerning the *distribution* of this economic value across stakeholders.

In BADM 449, ***Strategic Management/Business Policy,*** you will develop your skills at:

- Understanding how firms create, capture, and sustain competitive advantage;
- Analyzing strategic business situations and formulating strategy; and
- Implementing strategy and organizing the firm for strategic success.

Success ultimately depends not only on the soundness of the formulated strategy, but also on effective implementation through appropriate organizational choices. This capstone business course focuses on strategic decisions, and with both the *content* of those decisions and the *processes* by which general managers position the businesses and allocate scarce resources (including time and attention) under conditions of uncertainty and competition. This course utilizes various tools, concepts, and analytical frameworks that enhance our ability to define and analyze strategic problems and to identify sources of competitive advantage from both an industry and firm-level perspective.

This senior-level business course focuses on key issues in *formulating* and *implementing* strategies to create and sustain competitive advantage. Focusing on a firm's strengths and weaknesses, we analyze the impact of change and environmental forces on unfolding opportunities for establishing and sustaining competitive advantage. Emphasis is given to developing pragmatic and action-oriented general management skills. Importantly, extant theory within the disciplines of accounting, economics, finance, international business, marketing, political science, and organization theory have important implications for general management. The course emphasizes cases and lecture/discussion sessions.

This capstone business course has two distinct components. In the first half of the semester, we examine the theory and practice of strategic management. In the second half of the semester, case presentations offer simulated real-world experience and practice for integrating material studied in the first half of the semester.

Strategic management deals with the world of experience. The world of experience is not a world of certainty. Thus, within the classroom, reasonable people (with different experiences) will view effective management differently. Management involves *making* sense together, and is a creative and subjective process. Conjectures and knowledge that are based on personal experiences are highly valued within the conversation of this class. Creativity will be rewarded in your participation grade, individual papers, and group projects. This capstone course also rewards the diligent worker who has the ability to listen and think critically. This senior-level course requires that you process a great deal of material. Both the first exam and the mid-term exam will test your ability to *understand* the material in the textbooks, readings, and class notes. *Please note that the evaluation of your case analyses and the exams measure different skills.*

THE RELATIONSHIP OF STRATEGIC MANAGEMENT TO OTHER BUSINESS COURSES

Up until this time, most of your education within the College of Business has emphasized a specialized, functional perspective of business situations. For example, in Accountancy, you have concentrated on how to both identify and produce the information necessary to manage and guide organizations effectively. In Finance, you have been concerned with how capital markets work and, in turn, affect the financing of a company's on-going operations. In Marketing, the focus has been on how to analyze, shape, and respond to the needs of consumers as well as how to manage a company's marketing efforts. In Operations Management, the focus has been organizing the production activities of a firm so it is able to produce quality goods and services at an attractive price. Finally, courses on Human Resource Management have been concerned with the effective development and management of a company's human assets. All of these functional disciplines play a critical role in the success of a company, *but how do they fit together?*

In this capstone business course, we integrate these views together by taking the unique perspective of *the situational problems of the general manager*. The general manager's primary responsibility is to formulate the problems at hand, to diagnose the critical factors that require attention in complex business situations, and to find workable solutions to strategic and organizational problems. To solve such business problems, the general manager must be capable of understanding and using knowledge from each functional area to provide a total business (systems) perspective on issues pertaining to strategic management. The general manager must analyze competitive situations within industries in order to understand the sources of the firm's competitive advantage. Strategy is both enabled and constrained by the economic and political conditions that prevail in an industry or country, as well as by the resources available to management. In today's increasingly global business environment, whether you are a newly hired employee or the CEO of the company, you must be capable of thinking like a general manager.

TECHNIQUES FOR LEARNING STRATEGIC MANAGEMENT

To accomplish our objectives, we will use a variety of learning techniques: lectures, outside of class assignments, readings, written reports, presentations, and most importantly, class discussion of case studies.

Case Analysis

Strategic thinking and analysis are best learned through practice. The capstone business cases we will study concern real-world business situations. These senior-level business cases are designed to provide you with data on real-life managerial problems, and case analysis is useful as a simulation of actual managerial activity. These integrative, capstone cases provide an opportunity to both apply the concepts that we discuss in class as well as to further develop our ability to think about business strategy. How much you learn from these strategic management cases depend on your preparation and active participation. Each of us will be responsible to be fully prepared for each class, and there will be assignments throughout the term to help focus our preparation. *Everyone* is expected to participate effectively in each class to comment, question, and analyze.

Objectives of Case Analysis:

- Increase your understanding of what managers should and should not do in guiding business to success;
- Build your skills for conducting strategic analysis and gaining in-depth experience in a variety of industries, competitive situations, and company circumstances;
- Obtain valuable practice in diagnosing strategic issues, evaluating strategic alternatives, and formulating workable plans of action; and
- Enhance your sense of business judgment.

Group Work

Discussing cases and preparing analyses outside of class helps to deepen your knowledge about strategic management. Thus, group work will be essential for major group projects. Developing effective group skills is a critical part of the learning process. It is a good idea to have students with different areas of expertise in the group to facilitate the exchange of a variety of managerial viewpoints and to help guard against "groupthink." To enable an internal balance within each group, we will divide the class into eight cross-functional groups.

Exams

There will be two in-class (closed-book) exams during the semester. These in-class exams will test both your mastery of the concepts and your ability to apply them.

Individual Participation

Active participation in the class is an essential part of the learning experience. You are expected to contribute both to the case discussion and to discussion during the lecture sessions.

EXPECTATONS AND POLICIES

Preparation: I will assume that you have read everything assigned. Even if you are not presenting a case, please be sure to read the case carefully, as it will be the basis of class discussion. It is especially valuable and appreciated when you come to class with questions about the readings. Poor preparation is a disservice to your classmates and will negatively impact your participation grade.

Class Participation: Most of the learning in our class will occur through discussion. Thus, we want everyone's active participation. Meaningful participation requires having carefully read and thought about the day's material, but that is *not* sufficient. You also need to speak and while key insights are appreciated, you can also contribute by asking questions, politely disagreeing with comments, or following up on another student's comments with further insights or evidence.

Homework: One purpose of homework assignments is to enhance class discussion. Thus, (hard-copy) assignments must be turned in *before class begins* on the day that they are due. You should bring a copy to class for your own reference during discussion. *Assignments placed in my mailbox or under my door will not be accepted.* If you are ill I will accept the assignment by e-mail Word attachment if it is received before the beginning of class on the day it is due. *There will be no credit provided for late assignments.*

Attendance and Punctuality: You cannot contribute to our learning if you are not in class. At the same time, it is understood that you may have other responsibilities and priorities. To balance these considerations, you are allocated *two* excused allowances. You can use these as you wish (e.g., job interviews, family needs, health days) with no questions asked. On these occasions, you are still responsible for turning in your assignment *before* the class session that you will miss. Please note that I will not make arrangements for homework after the fact. For each absence beyond these two, 10 points will be deducted from your individual participation grade. You may not use an excused absence on the day of an exam. In the event of illness, please bring a note from either the Emergency Dean or the Health Center to the next class session. Please be on time. If lateness becomes an issue, I reserve the right to treat a class for which you are late as a missed class.

Course Organization: Class assignments are shown in the schedule attached, and while subject to change, this schedule should guide your work plans. *There will be no announcements in class concerning assignments*, except those that may alter the attached schedule.

***Technology*:** All mobile phones, PDAs, pagers, and other electronic devices should be turned off during class. Please do not leave and re-enter the class. Use of laptops in the class is a privilege and not a right. Laptops are to be used for class activities only. If you are seen surfing, chatting, e-mailing, etc., you will lose laptop privileges.

Suggestions: If you have special inquiries or constructive suggestions concerning the progress of the class, please feel free to talk to me. You can make an appointment by telephone, e-mail, or simply leave a message in my mailbox in 350A Wohlers Hall.

COURSE TEXTS AND CASES

Textbook: Rothaermel, Frank T. (2013). Strategic Management. New York, NY: McGraw-Hill, Irwin.

Cases: Harvard Business Cases (BA 449 **Two** P*ackets*). [Note: Packet #1 will be common for the 2013-2014 academic year; Packet #2 are cases for the Fall 2013 Semester only.]

Case	(#)	Source	Industry
Wal-Mart Stores 2003	(1)	Harvard 9-704-430	Retail
RTE Cereal (A)	(2)	Harvard 9-795-191	Cereal
Cola Wars Continue in 2010	(3)	Harvard 9-711-462	Soft Drink
Zara	(4)	Harvard 9-703-497	Fashion Apparel
Linked-In	(5)	Harvard 9-709-426	Online Networking
Haier: Global Strategy	(6)	Harvard 9-706-401	Appliance
PepsiCo's Restaurants	(7)	Harvard 9-794-078	Restaurant
Nucor at a Crossroads	(8)	Harvard 9-793-039	Steel
Practicum Cases:			
Montague	(09)	Harvard 9-808-087	Bicycle
Southwest Airlines	(10)	Harvard 9-910-419	Airline
Glass Egg Digital Media	(11)	Harvard 9-508-066	Video Game
Netflix	(12)	Harvard 9-607-138	Home Video
HTC Corp. in 2009	(13)	Harvard 9-709-466	Mobile Phone
Synthes	(14)	Harvard 9-502-008	Medical Devices
LEGO	(15)	Harvard 9-613-004	Global Toy Market
Pharmaceutical Industry and Aids	(16)	Harvard 9-702-049	Pharmaceutical

COURSE REQUIREMENTS AND GRADING

(1) *Individual case assignments (5 cases: 20 points each)*	**100 points**
(2) *Individual case write-up for Haier: Global Strategy*	**25 points**
(3) *Group Case Assignments for Nucor*	**50 points**
(4) *Three-question format for remaining cases (9 cases: 5 points each)*	**45 points**
(5) *In-class exams (Mid-term exams: 200 points and 200 points)*	**400 points**
(6) *Participation (Individual and Mini-Group Presentation: 100 and 50 points)*	**150 points**
(7) *Practicum (Top Management Team, Primary Case Presentation, Group Paper: 30 points, 100 points and 100 points)*	**230 points**

Final Grading Scale:	**1,000 points**

Course Points	Grade	Honor Points
980 - 1000	A +	4.00
930 - 979	A	4.00
900 - 929	A -	3.67
870 - 899	B +	3.33
830 - 869	B	3.00
800 - 829	B -	2.67
770 - 799	C +	2.33
730 - 769	C	2.00
700 - 729	C -	1.67
650 - 699	D	1.00
Below 650	F	0.00

EXPLANATION OF ASSIGNMENTS

(1) *Individual case assignments:* **100 points**

Case #1 Wal-Mart "Strategic Coherence" Map *(20 points)*

Draw a strategic coherence map for Wal-mart. Think carefully about how all of Wal-mart's details in their activity system are complementary and reinforcing for their overall business-level strategy. Identify which activities are major and which are minor, and link together activities that reinforce each other to a *substantial* degree. This assignment, and all of your other assignments, are due ***before*** the class begins.

Case #2 RTE Cereal Industry Table of "Barriers to Entry" *(20 points)*

The Ready-to-Eat Cereal Industry assignment asks you to provide a Table of Barriers to Entry. To encourage conciseness, there is a limit of **two pages** (single-spaced) for this assignment.

Case #3 Coke v. Pepsi 5-Forces Industry Analysis *(20 points)*

The Soft Drink Industry assignment asks you to provide an industry analysis using Porter's 5-Forces Model. There are three parts to the assignment: (1) for each Force, answer whether the Industry Force is low, medium, or high in intensity. Cite key evidence from the case for your answer — do not list everything, just the most important point or two that supports your answer; (2) given the strengths of the other Industry Forces, is the level of rivalry what you would expect? Why or why not? (3) Think dynamically; What Force is changing the most? Is it increasing or decreasing? Provide evidence from the case for your answer. You should *not* do any graphics for this assignment: Just type your answers. To encourage conciseness, there is a limit of **two pages** (single-spaced) for this assignment.

Case #4 Zara's Value Chain *(20 points)*

Please provide a value chain analysis of Zara's business model. Specifically, for each primary and secondary activity in which Zara has a substantial value-creating activity, list the key components of this activity. Identify at least one value-chain activity that is a "core competence" creating economic value for Zara. To encourage conciseness, there is a limit of <u>two pages</u> (single-spaced) for this assignment.

Case #7 Pepsi Restaurants *(20 points)*

- Discuss the options and your recommendations for Carts of Colorado, and California Pizza Kitchen (business-level strategy); and
- Discuss whether Pepsi should continue in the restaurant business (corporate-level strategy). There is a limit of **two pages** (single-spaced) for this assignment.

(2) *Individual case write-up for Haier Global Strategy:*

Case #6 Haier: Global Strategy **25 points**

Criteria for the 2-page individual case write-ups:

Problem statement: Define the scope of the identified problem in the first paragraph of your paper. Conclude the first paragraph with the *question*, and explain why the question is important. (05 points)

Analysis: Analysis remains focused on addressing the question raised. Indicate the key factors that are important for answering your question and discuss the inter-relationships between factors. (15 points)

Recommendations: Suggested recommendations should follow logically from analysis. Be sure to discuss implementation issues. (05 points)

(3) *Group Case Assignments*

Case #8 Nucor **50 points**

In this assignment, your team will advise Ken Iverson, Nucor CEO, on whether to adopt SMS's CSP process. In your memo to Iverson, please address the following issues:

1. Cash Flow Analysis *(10 points)*

One key question is "*By its own investment criterion*, should Nucor undertake this investment?" That calculation is what CEO Ken Iverson is interested in at this time. Once you have answered Ken Iverson, the second key question concerns NPV (the criterion taught in your education here).

Using the Excel spreadsheet provided as a template on the Web page, calculate the cash flow that Nucor could expect if it adopted SMS's CSP process. The relevant spreadsheet is labeled "CF analysis-thin slab". Most of the critical data are already in the spreadsheet, drawn primarily from Exhibits 12A and 12B. Please adhere to the following assumptions and conventions:

- Do not change any of the figures that have already been provided;
- Use the growth rate provided in the template for the price of steel, not the historical 6.84%
- Assume the entire $280 million construction cost is incurred in 1986; and
- Depreciate the factory equally over 10 years (1989-1998). The spreadsheet includes 12 years, of which two are while the factory is under construction (1987 and 1988). Start in 1989, when the plant comes on line, and assume it loses all value over the next 10 years.

2. Scenario/Sensitivity analysis *(15 points)*

Your recommendation provided in Part 1 depends on a set of assumptions. Identify at least three changes that might occur and calculate how your conclusions for Part 1 change given the change in assumption. Drawing on the case facts, explain why each of these new scenarios are important and whether you consider it likely or not.

3. Strategic analysis *(10 points)*

While SMS's thin-slab technology would offer operating advantages, the advantages are narrowed by the need to price lower than integrated mills because of the perceived lower quality of mini-mill steel. Nucor's major competitors include both modernized and un-modernized integrated mills. A leading source indicates that 40% of integrated steel capacity is in modernized plants. Exhibit 12B shows that Nucor would have large cost advantage over un-modernized integrated mills ($225/ton versus $300/ton for Hot Rolled) if it pioneered SMS's technology. However, the cost advantage over modernized mills is much lower. In fact, Nucor might find it difficult to compete head-on with a modern integrated mill that decided to price very aggressively. These concerns lead to the following questions: Based upon the two "CF analysis" Excel worksheets, determine if we should expect the integrated mills to modernize their mills that are currently un-modernized. Why or why not? Assume the integrated mills follow traditional DCF/NPV investment criterion. Given your answer how concerned should Nucor's top management team be about competing against modernized integrated mills when it opens its first thin-slab technology mill, if it does so?

4. Real Options Analysis *(10 points)*

Consider the following strategic (real) options:

- The real option value of waiting;
- The real option value of abandoning the project; and
- The real option value of growth options (e.g., follow-on investments)

5. Conclusion/Recommendation *(5 points)*

In light of the (cash-flow, scenario, strategic, and real-options) analysis should Nucor adopt the CSP process? Why or why not? Please do not just repeat the ideas from above. Consider issues that are not covered in the preceding analyses. For example, are there important stakeholder issues that need to be raised? Explain how your analyses and concerns either reinforce or contradict each other and why you believe that you have correctly identified the most important factors.

(4) *Case Questions*

Provide 3 questions for each of the 9 remaining cases (5 points each) **45 points**

For the remaining 9 cases (i.e., Linked-In and the eight practicum cases) provide 3 key questions for each case, and e*xplain why each question is important*. You will be graded based on the quality of questions asked. A problem well stated is a problem half solved. The statistician John Tukey said: "Far better an approximate answer to the right question, which is often vague, than an exact answer to the wrong question, which can always be made precise."

(5) *In-class exams:* **400 points**

First Exam *(200 points)*

Mid-term exam *(200 points)*

Both the first exam and the mid-term exam will be closed book and closed-notes.

(6) *Participation*: **150 points**

Attendance *(50 points)*
Contributions through Participation *(50 points)*
--- Note: 10 points here will be automatic via a "pre-test"
10 point here will be automatic via a "post-test"
Mini-Group Presentation *(50 points)*

Individual Participation: Active participation in the class is an essential part of the learning experience. We will be using senior-level business capstone cases and you must be prepared to discuss these cases. Meaningful participation means making a contribution to our discussion, not merely talking, and it does not mean repeating case facts or simply agreeing with what others have already said. Our interest is not "right" or "wrong," it is whether you have made a contribution to the development of issues under study by the class, and whether you have moved the class forward. One clear way of making a contribution is to disagree with the comments of your classmates where needed; it is not the instructor's duty alone to decide whether a remark is of value. Failure to participate and disagree where needed penalizes you and the class in these ways:

- You lose incentive to prepare the case properly;
- You lose the chance to develop communication skills;
- You deprive all of us of your insights into the case; and
- Your ideas go unevaluated by others.

Do not confuse attendance with participation. While on-time attendance is important, active participation in the class discussion is evaluated separately.

Mini-Group Presentation: In the first half of this senior-level capstone course, we will have four *mini-group presentations*. Two groups are assigned to each of these four cases and each group is responsible for covering specific aspects of the case within 30 minutes, leaving 10 minutes for questions from the class. *Note: Power Point Slides are due by e-mail attachment two days before the presentation.*

Group #1:	Coke &Pepsi	Industry-level analysis (e.g., 5-Forces Model)
Group #2:	Coke &Pepsi	Business-level strategy (e.g., Coke's strategic plan)
Group #3	Zara	Industry-level analysis
Group #4	Zara	Business-level strategy (e.g., Zara's value chain)
Group #5	Linked-In	Industry level strategy
Group #6	Linked-In	Business-level strategy
Group #7	Haier	Industry-level analysis
Group #8	Haier	*Corporate*-level strategy (e.g., global expansion strategy)

Criteria for your mini-group presentation are the following:

Mini-Group Presentation (50 points)

- Substance of Presentation (10 points)
- Covered assigned topic well (05 points)
- Clarity: Audibility, wording, flow of ideas, pace of delivery (05 points)
- Persuasiveness: Credibility, eye contact, conviction, etc. (05 points)
- Use of visual aids: Key points emphasized, clarity, readability, and interaction with visual aids (05 points)
- Information clearly organized (05 points)
- Management of time (05 points)
- Equal division of presentation material (05 points)
- Ability to answer questions, think on feet (05 points)

(7) *Practicum (Cases 9-16):* **230 points**

Top Management Team	*(030 points)*
Group Presentation for Primary Case	*(100 points)*
Group Paper on Primary Case	*(100 points)*

Top Management Team: In the final section of the course (for cases 9-16), each group will be assigned one case to take the role of a top management team and to ask the presenting group questions concerning their presentation and recommended actions.

Group Presentation for Primary Case: You and your group members will have primary responsibility for leading a discussion of that case. It is your responsibility to update the case to the present. Each member of the group should lead a discussion and provide updated material. It is imperative that group members *coordinate* their work. Your grade on this group presentation is a group grade. *If there are any problems with non-contributing group members, please let me know*. The objectives of these assignments are to enhance your ability to:

- Develop a clear and direct presentation;
- Utilize visual aids to support the presentation;
- Think on your feet;
- Evaluate the adequacy of an argument, position or plan;
- Listen critically and pose worthwhile questions that facilitate constructive group problem solving; and
- Give and receive criticism in a socially acceptable manner

The oral presentation is scheduled for delivery on the same day that the written case is due. All members of a group are expected to participate equally in the presentation. Presenters should avoid merely reading out presentation material. The group will be evaluated primarily on the cohesiveness of the arguments presented. Presentations are professional (this requirement for men presenting means a dress shirt is required). *A copy of all transparencies and exhibits must be provided to the instructor by e-mail* attachment two days before *the presentation. The quality of the exhibits will be considered in the evaluation of the group's presentation.*

The last third of the presentation will consist of questions from the top management team and other interactions between the presenting groups and the class. The class should take the role of various stakeholders. Stakeholders are to critique, comment on, and support and/or question the analysis and recommendations presented by the primary case team (which requires all to be totally familiar with the case company's situation). In reviewing the presentation, it is useful to think about what would be the consequences for various stakeholders to the organization if the suggested recommendations were adopted.

Presentation Evaluation: (**100 points**)

-Substance of Presentation	(30 points)
- Clarity: Audibility, wording, flow of ideas	(10 points)
- Persuasiveness: Credibility, eye contact	(10 points)
- Use of visual aids: Clarity and readability	(10 points)
- Information clearly organized	(10 points)
- Management of time	(10 points)
- Equal division of presentation material	(10 points)
- Ability to answer questions, think on feet	(10 points)

Group Paper on Primary Case: *Guidelines for Written Case Reports*

Written case assignments provide you with the opportunity to use your conceptual, analytic and technical skills in applications of real-world business situations. You should adopt the role of a consulting team that has been asked to examine the corporation and to provide (a) strategic judgments regarding the key issues and problems facing the company with supporting evidence and sound logic; (b) alternative courses of actions available to the corporation and assessments of these options; and (c) specific recommendations with a supporting plan of action.

A draft of the Group Paper is due on the day of your presentation. The presenting Group should then use comments from the Top Management Team, other class members, and from me to revise the draft. The final paper is due in my mailbox in 350A Wohlers Hall by 4:00 PM *Monday,* December 16, during the exam time period.

The Group Process: A critical aspect of writing a good paper is the group process. First and foremost, take your role seriously. Decide on a specific process for analyzing the case and writing the report. You should aim to integrate the various viewpoints and simultaneously make the best possible use of the different analytical skills of the group members. A creative group process builds upon resolving diverse views in arriving at a synthesized whole. One method for achieving this result is to first have each group member exhaustively analyze the case individually, then meet as a group and verbally decide on the group's collective judgments. You should decide on a specific group process for drafting, writing, and editing the final document. An important part of this process may involve giving one or two group members the authority to edit and pull the final document together, in the interests of generating a cohesive report.

Focus: Judgments versus Analysis. You are encouraged to use the various frameworks, concepts, and techniques discussed in the course or otherwise known to you. Remember, however, that these are analytical tools, which help in forming judgments concerning central problems and associated recommendations; these tools are not ends in themselves. Emphasize your judgments (usually using headings or subheadings) and present data/information from the case, along with supporting analysis, in support of these judgments. Avoid merely rehashing facts.

Format. The text of the group paper is *limited to 12 double-spaced pages in 12-point font.* Supplemental exhibits and figures may be included as Appendices (e.g., Five-Forces Analysis, and Value-Chain analysis). The purpose of the page limit is to encourage you to prioritize the material you

wish to include in the final document. Please be selective, in order to generate a rigorous and relevant paper. Along with each report, following the title page, you should provide a brief **(1-page)** abstract that provides an **executive summary** (see the back pages of the *Harvard Business Review f*or an example of an executive summary) of the key problems and associated recommendations discussed in further detail in the report. As far as possible, you should try to clarify your views on the relative importance of each of the issues you will discuss. Though grading will focus primarily on the strength of analysis and strategic recommendations, writing form, grammar, punctuation and professional presentation will be evaluated.

Criteria for Evaluation: ***(100 points)***

Analysis

- Central issues explicitly communicated in the first paragraph of the paper (10 points)
- Completeness of coverage provided in Tables (10 points)
- Case data, supporting evidence, and logic used to support diagnosis of central issues (e.g., Case analysis deals with central issues identified) (10 points)

Alternatives/Recommendations

- All identified issues addressed by recommendations (10 points)
- In-depth analysis of advantages and disadvantages of alternatives (10 points)
- Completeness/depth of recommendations (10 points)
- Recommendations follow logically from analysis (10 points)

Style/Organization

- Information clearly organized, clarity of expression, development of logical arguments (10 points)
- Editorial style: Grammar, paragraphs, headings, and spelling (10 points)
- Clearly designed exhibits, assumptions stated, understandable, and an executive summary included. (10 points)

The issues mentioned below are the types of issues you should be thinking about when preparing your analysis; however, they should not be considered as either definitive or exclusive. It is well imagined that you will come up with issues and questions that are not mentioned below.

Part 1: Industry Analysis

You should give a brief historical overview of the industry as well as undertake an industry and intra-industry analysis of the sources of sustainable competitive advantage. In addition, based upon your analysis, provide some idea of what you think the future holds for the industry. What opportunities and threats exist for the industry over the horizon?

I. **A Brief Historical Overview of the Industry**

A. What has the recent history of the industry been?
B. What recent events have significantly affected the structure of the industry, such as changes in government regulation, etc.?
C. How well has the industry recently performed?

II. **Industry Analysis**

A. Use the Five-Forces Framework to explain industry performance and explain the sources of competitive advantage in the industry.
B. What factors have recently influenced the strength of each of these Five Forces?
C. How are changes in the strength of the Five Forces related to one another?
D. How do changes in the Five Forces affect industry profitability?

III. **Intra-Industry Analysis**

A. What are the strategic, marketing and technological dimensions that distinguish firm-level strategies?
B. Who are the major players within the industry? How have competitors in the industry positioned themselves on these dimensions, i.e., what are their different strategies?
C. Are there distinctive types of strategies in the industry, i.e., what are the different strategic groups?
D. Who are the high and low performers in the industry? Why?
E. What are the competitive dynamics between and within groups?

IV. **The Future of the Industry**

A. Given your industry and intra-industry analysis, what do you think the future holds for the industry? What do you predict will be future trends in industry performance?
B. Are significant opportunities in the market untapped?
C. What might the current competitors in the industry do to improve their competitive position?
D. Are there significant threats to the industry looming over the horizon?

Part 2: Firm-Level Analysis

I. A Brief Historical Overview of the Firm

A. What is the strategic scope of the company? What products and markets does the firm compete in?
B. What are the company's stated missions and objectives? How have these missions changed over time?
C. What has the recent history of the firm been?
D. What recent events have significantly affected the firm?
E. How well has the firm recently performed?

II. Analysis of Competitive Strategy and Position

A. What is the current strategy of the company?
B. What is the company's position relative to its competitors, and what is the basis of its competitive advantage/disadvantage? How have the companies' relative positions changed over time?
C. What are the key resources and competencies of the company?
D. How sustainable is the company's competitive advantage?
E. What opportunities may be unfolding for the company?

III. The Future of the Company

A. Given your industry and company analysis, what do you think the future holds for the company? What do you predict will be future trends in company performance?
B. Are significant opportunities in the market untapped?
C. Are there significant threats to the company looming over the horizon?
D. What are the major strategic issues that the company confronts?

IV. Recommendations

A. What might the company do to improve its competitive position? Describe options and the strategic advantage(s) of these options.
B. What is your evaluation of these identified options from a strategic and financial perspective? What risks are inherent in these options? What benefits?
C. What likely competitor reactions would the company confront?
E. What is your recommended course of actions for the strategic issues that you have addressed?

Sources of Industry and Firm Information: You should look at the following sources of secondary data:

A. Popular Business Press (Fortune, Business Week, Forbes, etc.)
B. The Wall Street Journal, Financial Times
C. Industry Trade Journals
D. Company Annual Reports as well as 10Ks
E. Journals: *Harvard Business Review, Sloan Management Review*

However, you are not constrained to these sources only. Use your imagination: call companies, use brokerage houses, trade associations, etc.

LIST OF CASE ASSIGNMENTS BY GROUP

Group	Mini-Group	Top Management Team	Primary Case
#1	Coke &Pepsi	HTC Corp.	**Montague**
#2	Coke &Pepsi	Synthes	**Southwest Airlines**
#3	Zara	LEGO	**Glass Egg**
#4	Zara	Pharmaceutical Industry	**Netflix**
#5	Linked-In	Montague	**HTC Corp.**
#6	Linked-In	Southwest Airlines	**Synthes**
#7	Haier	Glass Egg	**LEGO**
#8	Haier	YouTube, Google	**Pharmaceutical**

CLASS SESSIONS AND ASSIGNMENTS

SESSION #1 Monday, August 26

"No amount of sophistication is going to allay the fact that all your knowledge is about the past and all your decisions are about the future." Ian E. Wilson, former chairperson, General Electric

Assignment: **Read:** Rothaermel Chapter 1
"What is Strategy and Why is it Important?"

Learning Objectives:

1. Introduction to the course: Defining strategy and its role in achieving the firm's objectives.
2. Explaining the role of corporate, business, and functional managers in strategy formulation and implementation.

Handouts (on webpage):

Pre-test
#1 Sources of Competitive Information
#2 Management Skills
#3 Levels of Strategy

SESSION #2 Wednesday, August 28

"Connect, always connect." Goethe

Assignment: **Read***:* Rothaermel Chapter 2: "The Strategic Management Process"

Learning Objectives:

1. Comparing and contrasting strategic planning and scenario planning.
2. What is "strategic coherence?" How is it useful?

Handout: #4 Strategic Coherence

SESSION #3 Wednesday, September 4

Assignment: **Read***:* Rothaermel Chapter 3
"External Analysis: Industry Structure, Competitive Forces and Strategic Groups"

Learning Objectives:

1. Applying the structure-conduct-performance model to explain industry profitability.
2. Applying the Five Forces Model to explain the profit potential of the firm's industry.

Handouts:

#5 Sustainable Competitive Advantage and the Measurement of Firm Performance
#6 A Note on Industry Analysis
#7 Empirical Testing of Structure-Conduct-Performance Model
#8 A Note on Strategic Group Analysis

SESSION #4 Monday, September 9

"With the possible exception of Henry Ford, Sam Walton is the entrepreneur of the century."
— Tom Peters, co-author of In Search of Excellence

Assignments: **Read**: Case #1 **Wal-Mart Stores in 2003**
Write: Provide a "*Strategic Coherence (Activity System) Map*" for Wal-Mart

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SESSION #5 Wednesday, September 11

"I was not successful as a baseball player, as it was a game of skill." Casey Stengel

Assignment: **Read**: Rothaermel Chapter 4
"Internal Analysis: Resources, Capabilities, and Activities"

Learning Objectives:

1. Providing the resource-based approach for internal analysis,
2. Applying the VRIO(N) framework to assess a firm's resources.

Handout: #9 Resources and Capabilities/Value chain analysis

SESSION #6 Monday, September 16

Assignments: **Read**: Case #2 **RTE Cereal Industry**
Write: Provide a *Table of the Barriers to Entry* to the Industry

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SESSION #7 Wednesday, September 18

*Assignment*s: **Read**: Rothaermel Chapter 5
"Competitive Advantage and Firm Performance"

Learning Objectives:

1. Describe and evaluate (a) economic value creation; (b) accounting profitability, (c) shareholder value creation; (d) the balanced scorecard approach; and (e) the triple-bottom line approach for assessing competitive advantage.
2. Compare and contrast different approaches to measuring competitive advantage, and derive managerial implications.

SESSION #8 Monday, September 23

*Assignment*s: **Read**: Case #3 **Cola Wars Continue 2010**
Write: Provide an Industry (5-Forces) Analysis

SESSION #9 Wednesday, September 25

"Dare to be naive." R. Buckminster Fuller

Assignments: **Read**: Rothaermel Chapter 6
"Business Strategy, Differentiation, Cost Leadership, and Integration"

Learning Objectives:

1. What are the strategic benefits and risks of a differentiation strategy?
2. What are the strategic benefits and risks of a low-cost strategy?

Handout: #10 Learning Curves

SESSION #10 Monday, September 30

First Exam

SESSION #11 Wednesday, October 2

Assignments: **Read**: Case #4 **Zara**
Write: Provide a Value Chain Analysis

SESSION #12 Monday, October 7

"The leader must know, must know that he knows, and must be able to make it abundantly clear to those around him that he knows." Clarence B. Randall, chairperson, Inland Steel

Assignments: **Read**: Rothaermel Chapter 7
"Business Strategy: Innovation and Strategic Entrepreneurship"

Learning Objectives:

1. Defining innovation and explaining its role in the competitive process.
2. Applying strategic management concepts to entrepreneurship and innovation.

SESSION #13 Wednesday, October 9

Assignments: **Read**: Case #5 **Linked-In**
Write: 3-questions

SESSION #14 Monday, October 14

"... good management rests on a reconciliation of centralization and decentralization."
Alfred P. Sloan

Assignments: **Read**: Rothaermel Chapter 10
"Global Strategy: Competing Around the World"

Learning Objectives:

1. Explain why companies compete abroad and evaluate advantages and disadvantages.
2. How does a firm compete for standards?

SESSION #15 Wednesday, October 16

Assignments: **Read**: Case #6 **Haier: Global Strategy**
Write: 2-page Case Write-Up

SESSION #16 Monday, October 21

"Tis the part of a wise man to keep himself today for tomorrow, and not venture all his eggs in one basket."
Miguel de Cervantes

"Put all your eggs in one basket and — WATCH THAT BASKET." Mark Twain

Assignments: **Read**: Rothaermel Chapter 8
"Corporate Strategy, Vertical Integration, and Diversification"

Rothaermel Chapter 9
"Corporate Strategy: Acquisitions, Alliances and Networks"

Learning Objectives:

1. Describe and evaluate vertical integration and diversification strategies.
2. Explain how acquisitions, alliances, and networks can lead to superior firm performance.

SESSION #17 Wednesday, October 23

Assignments: **Read**: Case #7 **Pepsi Restaurants**
Write: Business Level and Corporate Level Analysis

SESSION #18 Monday, October 28

"He who hesitates is sometimes saved." James Thurber

Learning Objectives:

1. What are real options?
2. When are first-mover advantage and second-mover advantage applicable?

Handouts: #11 Basic Financial Model of the Firm
#12 Valuing Strategic Flexibility
#13 Using Strategic Commitment to Influence Competitor Response
#14 Using Strategic Commitment to Influence Cooperative Response

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SESSION #19 Wednesday, October 30

"**...** a manager's authority comes *from* the employees. Distance yourself from your people and you distance yourself from your base of authority." Ken Iverson in Plain Talk (1998).

Assignments: **Read**: Case #8 **Nucor**
Write: Group Assignment Strategic Analysis

Handout #15 Strategic Management Notes

SESSION #20 Monday, November 4

Assignments: **Read**: Rothaermel Chapter 11
"Organizational Design, Structure, Culture, and Control"

Rothaermel Chapter 12
"Corporate Governance, Business Ethics, and Strategic Leadership"

Learning Objectives:

1. Discuss how organizational design and organizational structure influence performance.
2. Describe the role of corporate governance.

Post-test practice before Second Mid-term

SESSION #21 Wednesday, November 6

Mid-Term Exam

Practicum

SESSION #22 Monday, November 11

Assignments: **Read**: Case #9 **Montague**
Write: 3-questions

SESSION #23 Wednesday, November 13

Assignments: **Read**: Case #10 **Southwest Airlines**
Write: 3-questions

SESSION #24 Monday, November 18

Assignments: **Read**: Case #11 **Glass Egg Digital Media**
Write: 3-questions

SESSION #25 Wednesday, November 20

Assignments: **Read**: Case #12 **Netflix**
Write: 3-questions

SESSION #26 Monday, December 2

Assignments: **Read**: Case #13 **HTC Corp. in 2009**
Write: 3-questions

SESSION #27 Wednesday, December 4

"Plans are nothing, planning is everything." Dwight D. Eisenhower

Assignments: **Read**: Case #14 **Synthes**
Write: 3-questions

SESSION #28 Monday, December 9

Assignments: **Read**: Case #15 **LEGO**
Write: 3-questions

SESSION #29 Wednesday, December 11

"These then are my last words to you. Be not afraid of life. Believe that life is worth living and your belief will help create that fact." William James

Assignments: **Read**: Case #16 **Pharmaceutical Industry and Aids**
Write: 3-questions

Monday, December 16: Group Paper due before 4:00 PM in 350A Wohlers

Final Comments:

This capstone course has attempted to reflect the objectives of your undergraduate program to offer a global and interdisciplinary perspective that better prepares you for the business world. This course integrates elements of accountancy (e.g., value chain and activity-based cost accounting), finance (e.g., pro forma discounted cash flow analysis), and business administration with several technology management, globalization, and entrepreneurship cases embedded within this course. In order to pass this course, you needed to show competences along multiple dimensions.

- *Disciplinary Competence* across our three Departments (Accountancy, Finance, and Business Administration) has been a hallmark requirement permeating this course.

- *Critical Thinking and Problem Solving Skills.* The case method is meant to constantly challenge you. When you make a statement in class, we continuously ask: "How do you know?" Not only do we focus on problem solving, we go further by constantly requiring that ***you*** ask the questions. Thus, *problem formulation* is as much, or more, critical as problem solving.

- *Professional Responsibility Awareness.* This senior-level course offers many dilemmas for managers throughout our semester's agenda. By the time we get to the extraordinarily challenging AIDS case, we are hopeful that you are prepared for new levels of thinking required in that case, and that if you are a lifetime learner we invite you to save that case, and revisit it in a few years as your own personal audit trail of continuous improvement.

- *Leadership and Teamwork.* Collaborations in diverse groups in your mini-case, primary case, and Nucor case are essential for success. Inclusiveness is a shared value at Illinois. Thank you!

- *Communication Skills.* The course has focused on several writing assignments not only for better grammatical writing, but also for better logical thinking. We hope we have made clear in the 1-page paper assignment that the "scientific method" of problem-statement, analysis, and recommendations that answer the problem and are based on analysis is a key to "logic."

- *Multicultural Diversity.* Diversity issues by gender, race, nationality, and even technological backgrounds are issues you will need to deal with as a manager. This course has focused on the role of managers to build respect among a diverse workforce. We hope you continue to improve in both courage and competence throughout your career to make a difference.