

The Peter F. Drucker and Masatoshi Ito Graduate School of Management
Claremont Graduate University

Fall 2009

MGT 340 Business Strategy

Day: Tuesdays 1:00-3:45 pm
Location: Burkle Building, Room 14

Professor: Hideki Yamawaki
Office: Burkle 208
Telephone: 909-607-8494
E-mail: hideki.yamawaki@cgu.edu
Office Hours: by appointment
Faculty support: Kathy Holden, Burkle Building, 909-607-9061
E-mail: kathy.holden@cgu.edu

Learning Goal

The course reviews the recent development of analytical and conceptual tools in the business strategy field, which are aids to the development of decision. Students will learn the following analytical and conceptual tools: (1) the theoretical framework for industry analysis (the five forces analysis); (2) the concept of intra-industry analysis; (3) the conceptual framework of value-chain analysis; (4) the concept of generic strategy; (5) the concept of sustainable strategy; and (6) the introduction to multi-market corporate strategy (vertical integration, diversification, M&A, joint venture, alliance, and internationalization).

Course Description

The focus of this course is on how general managers enhance and sustain business performance. The course covers analytical and conceptual tools that are aids to the development of decision. The central concept of this course is that of strategy. Definitions abound, but they all share some sense of the allocation of critical resources over relatively long periods of time in pursuit of specific goals and objectives. Strategy is enabled and constrained by the underlying economic and political conditions that prevail in an industry or a country, as well as by the resources available to management.

Sustained performance, we shall discover, depends not simply upon choosing the right strategy, but also upon the processes by which strategy is formed and upon the administrative context and systems within which it is played out.

The subject matter of strategy is complex and multidisciplinary. Although the course has an excellent text and carefully selected readings, only a small part of strategic thought can be covered. In addition, it is important to understand that the student is expected to make active use of skills and tools covered in Marketing, Finance, Accounting, Statistics, Managerial Economics, and other courses.

Course Structure

Evaluation and Grading

Students are evaluated in three areas of performance: individual assignments, class participation, and final group project. The weighting among these elements are as follows:

Class Participation	40%
Mid-term Exam	30%
Final Group Project	30%

Individual Assignments

There is a mid-term exam in the form of “in-class case write-up”, which is scheduled on **October 20**. The case material and questions will be distributed on the exam day. There will be no make-up exams.

Class Participation

Good judgment about complex general management situations is developed by studying the judgments of successful managers and by practice in making judgments.

Accordingly, the course relies heavily on case materials and the analysis and discussion of different case situations is the primary activity in class. Therefore, you will get little from this course unless you take considerable responsibility for your own learning. This means devoting and being willing to present and defend your own point of view.

Your preparation and participation in the discussion will be essential to the success of the class in identifying and analyzing problems. The reading assignments will not be discussed specifically in class. I will, however, give occasional lectures to supplement the case material and summarize concepts.

Preparation for case discussion should begin with a reading of the assigned text and case material. Then, it is worthwhile to review the assignment questions for clues as to what issues require special attention. The next step is normally to re-read the case carefully, taking notes, which sort information, facts, and observations under a number of relevant headings. Most students will then want to perform some quantitative analyses exploring various hypotheses as to the nature and importance of certain phenomena. Finally, preparation will include notes that can be used to guide your interventions in class discussions on the assigned or other issues judged to be critical to the company's apparent dilemma.

In grading class participation, I will use several criteria:

- (1) Are points made relevant to the discussion?
- (2) Do they go beyond a mere recitation of case facts, and implications clearly drawn?
- (3) Are there evidence of analysis rather than just expression of opinion?
- (4) Are the comments linked to those of others?
- (5) Do they bring a new insight into the issues?
- (6) Is the participant a good listener?

The study questions provided with each case session are designed to guide and stimulate analysis and preparation. They are not intended to restrict your preparation, but rather to focus and enhance it.

Final Group Project

Class should self-organize into groups of no fewer than 3 and no more than 5 students for preparation of a final group project that will be presented to the class during the final week of the semester. Grading will be based upon the quality of research, analysis and insight evidenced in the presentation (**December 8**) and reports, not upon aesthetic quality or technical merit of Powerpoint slide shows.

All groups and topics should be approved by the instructor. Projects should be focused at the firm level for an already existing industry. Groups may either perform an "anomalies analysis" examining the outstanding attributes of a given firm and industry, or propose and evaluate the application of a new business model to an industry. In either case, the focus must be upon strategic aspects of the industry: What is the nature of the competitive landscape? What forces are supporting and undermining sustainability?

Final topics should be selected and approved by **November 3**.

Course Text

The **required textbook** for the course is

Robert M. Grant, *Contemporary Strategy Analysis: Concepts, Techniques, Applications*, 6th edition, Blackwell 2008.

Required course pack: A course reader containing case materials and other readings will be available for purchase at Huntley Bookstore.

Summary Course Schedule

Date	Focus	Case	Text (Grant)	Readings
September 1	The Concept of Competitive Strategy Industry Analysis	Apple 2006	Chapter 1 Chapter 2 Chapter 3	
September 8	Industry and Intra-industry Analysis Positioning	Robert Mondavi	Chapter 4 Chapter 5 Chapter 7	“What is Strategy?”
September 15	Resources and Capabilities Differentiation	Starbucks Ducati	Chapter 5 Chapter 7 Chapter 9	
September 22	Cost Advantage	Airborne Express	Chapter 7 Chapter 8	
September 29	Cost Advantage	Matching Dell		“Creating Competitive Advantage”
October 6	Sustainability	ZARA		“First-Mover (Dis) Advantages”

October 13	The Multi-market Context	PepsiCo	Chapter 13 Chapter 15	
October 20	Mid-Term Exam			
October 27	Alliance and M&A	Honda-Rover		“Managing International Alliances”
November 3	Global Strategy	Starbucks: A Global Work-In-Progress Four Seasons	Chapter 14	
November 10	Cost and Differentiation Advantages in Global Scope	Volvo Trucks		
November 17	Corporate Strategy	Vivendi GE	Chapter 16	
November 24	No Class			
December 1	Sustainability and Strategy	Wal-Mart’s Sustainable Strategy		
December 8	Student Presentation			

Detailed Session Schedule

Session 1 – Tuesday, September 1

Topic: The Concept of Competitive Strategy

Read: Chapters 1 and 2 of *Contemporary Strategy Analysis*

Topic: Industry Analysis
Entry barriers and isolating mechanisms, bargaining power of suppliers and buyers, intensity of competition, threat of substitutes, use of industry analysis.

Read: Chapter 3 of *Contemporary Strategy Analysis*

Case: Apple Computer 2006 (HBS 9-706-496)

Study Questions:

1. Historically, what were Apple's major competitive advantages?
2. Analyze the structure of the personal computer industry over the last 20 years. How have the dynamics of the computer industry changed?
3. Evaluate Apple's strategies since 1990.
4. Has Jobs finally solved Apple's long-standing problems? Is the iPod different?

Session 2 – Tuesday, September 8

Topic: Industry Analysis and Intra-industry analysis
Strategic groups within industries, positioning within industries, core competence, resource-based advantage

Read: Chapters 4, 5, and 7 of *Contemporary Strategy Analysis*

Read: M. E. Porter, “What is Strategy?” *Harvard Business Review*, November-December 1996 (HBR 96608)

Case: Robert Mondavi and The Wine Industry (HBS 9-302-102)

Study Questions:

1. Evaluate the structure of the global wine industry. How and why is the structure changing? What threats do these changes present for Robert Mondavi?
2. How attractive are the economics of owning an independent ultra premium winery on a 100-acre vineyard in Napa Valley? Would you invest in such a venture? What advantages and/or disadvantages does Robert Mondavi have relative to small independent wineries such as this one?
3. Why are large alcoholic beverage firms such as Diageo, Foster’s, and Allied Domecq entering the premium wine business? Do their strategies make sense? What advantages or disadvantages does Mondavi have relative to these firms?
4. What is Mondavi trying to accomplish with its international joint venture strategy?
5. Do you agree with Mondavi’s decision to focus on organic growth rather than acquisitions? What actions would you take to sustain and enhance Mondavi’s competitive position?

Session 3 – Tuesday, September 15

Topic: Competitive Advantage
Resources and capabilities, value-chain, core competence

Read: Chapters 5, 7, and 9 of *Contemporary Strategy Analysis*

Case: Starbucks (Ivey 9A98M006)

Study Questions:

1. What is Starbucks' strategy?
2. Given your assessment of its competitive position, how should it leverage its resources and capabilities to achieve its growth objective?
3. What are the challenges Starbucks face in 2007?

Case: Ducati (HBS 9-701-132)

Study Questions:

1. How did Ducati become the second most profitable motorcycle maker in the world despite its small scale? What is the fundamental economic logic of Minoli's turnaround?
2. Can Ducati sustain its position in the sport segment? Can Honda and other Japanese manufacturers stop its growth in this segment?
3. What strategic alternatives are available to Minoli in 2001?
4. Which alternative would you recommend? Why?

Session 4 – Tuesday, September 22

Topic: Focus Strategy and Cost Advantage
Economies of scale, economies of scope, learning and experience curve, cost and buyer's willingness to pay, dual advantage

Read: Chapters 7 and 8 of *Contemporary Strategy Analysis*

Case: Airborne Express (A) (HBS 9-798-070)

Study Questions:

1. How and why has the express mail industry structure evolved in recent years? How have the changes affected small competitors?
2. How has Airborne survived, and recently prospered, in this industry?
3. Quantify Airborne's source of advantage.
4. What must Robert Brazier, Airborne's President and COO, do in order to strengthen the company's position?

Session 5 – Tuesday, September 29

Topic: Sustaining Competitive Advantage
Imitation, substitution, hold-up, new competitive dynamics,
industry evolution, existing and potential rivals

Read: P. Ghemawat and J. Rivkin, “Creating Competitive Advantage” (HBS 9-798-062)

Case: Matching Dell (HBS 9-799-158)

Study Questions:

1. Why has Dell been so successful?
2. Prior to the recent efforts by competitors to match Dell (1997-98), how big was Dell’s competitive advantage? Specifically, calculate Dell’s advantage over Compaq in serving a corporate customer.
3. How effective have competitors been in responding to the challenge posed by Dell’s advantage? How big is Dell’s remaining advantage?

Session 6 – Tuesday, October 6

Topic: Sustainability, Dual Advantage

Read: Lieberman, M.B. and D.B. Montgomery, "First-Mover (Dis) Advantages: Retrospective and Link with the Resource-Based View," *Strategic Management Review*, 1998, pp. 1111-1125

Case: ZARA: Fast Fashion (HBS 9-703-497)

Study Questions:

1. With which of the international competitors listed in the case is it most interesting to compare Inditex's financial results? Why? What do comparisons indicate about Inditex's relative operating economics?
2. How specifically do the distinctive features of Zara's business model affect its operating economics?
3. Can you graph the linkages among Zara's choices about how to compete and the ways in which they create competitive advantage? What does the exercise suggest about such capabilities as bases for competitive advantage?
4. Why might Zara "fail"? How sustainable would you calibrate its competitive advantage as being relative to the kinds of advantages typically pursued by other apparel retailers?
5. How well does Zara's advantage travel globally?
6. What other strategic recommendations would you make to Inditex CEO Jose Maria Castellano?

Session 7 – Tuesday, October 13

Topic: Multi-Business Firms
Vertical integration, diversification, synergy, organizational integration, resource specificity, knowledge transfer

Read: Chapters 13 and 15 of *Contemporary Strategy Analysis*

Case: PepsiCo's Restaurants (HBS 9-794-078)

Study Questions:

1. Should PepsiCo acquire Carts of Colorado and/or California Pizza Kitchen?
2. To whom should they report?
3. Does PepsiCo add value to its restaurant business?
4. Is PepsiCo's current organization of its restaurant chains appropriate?

Session 8 – Tuesday, October 20

Mid-Term Exam

Session 9 – Tuesday, October 27

Topic: Alliance, M&A, and Corporate Strategy
Logic of collaboration, selecting partners, alliance dynamics, limits to alliance

Read: Managing International Alliances: Conceptual Framework
(HBS 9-793-133)

Case: Honda-Rover (A) Crafting an Alliance (HBS 9-899-223)

Study Questions:

1. What role has Rover played in Honda's global strategy? What role has Honda played in Rover's strategy?
2. Is Honda-Rover alliance successful?
3. Why did BMW acquire Rover?
4. What is the key difference in management between Honda-Rover and BMW-Rover?

Session 10 – Tuesday, November 3

Topic: Global Strategy
Geographic configuration, coordination, nation-based advantages, multinational, transnational, and home-based business models

Read: Chapter 14 of *Contemporary Strategy Analysis*

Case: Starbucks: A Global Work-In-Progress (Stanford IB-74)

Study Questions:

1. Why has Starbucks been successful initially in Japan and United Kingdom?
2. Should Starbucks continue to expand in international markets? Why?

Case: Four Seasons Goes to Paris: “53 Properties, 24 Countries, 1 Philosophy” (HBS 9-803-069)

Study Questions:

1. What distinguishes the Four Seasons Hotels and Resorts chain in the market place? How does Four Seasons deliver service in their properties around the world?
2. How should Four Seasons use technology?
3. What role do you see for the Four Seasons’ Internet site?

Session 11 – Tuesday, November 10

Topic: Cost leadership and differentiation in global scope

Case: Volvo Trucks (A) (HBS 9-702-418)

Study Questions:

1. Why does Volvo want to expand in the United States?
2. Why does Volvo seem to prefer an acquisition to other ways to grow?
3. Should Volvo acquire RVI?

Session 12 – Tuesday, November 17

Topic: Corporate Strategy
Managing the multi-business corporation

Read: Chapter 16 of *Contemporary Strategy Analysis*

Case: Vivendi Revitalizing a French Conglomerate (A) (HBS 9-799-019)

Study Questions:

1. What is Vivendi's corporate vision? How does this firm intend to create value?
2. Is this a good strategy for the company?
3. Is this a good strategy for the investor?
4. How does the business environment in France affect Messier's plans and his ability to carry them out?

Case: GE – Preparing for the 1990s (HBS 9-390-091)

Study Questions:

1. How would you describe Jack Welch's approach to corporate strategy?
2. What are the key problems Jack Welch has tried to solve?
3. What are the key mechanisms for value creation that Jack Welch has employed?

Tuesday, November 24

No Class (Thanksgiving)

Session 13 – Tuesday, December 1

Topic: Sustainability, corporate social responsibility, and strategy

Case: Wal-Mart's Sustainability Strategy (OIT-71)

Study Question:

1. Given the fact that Wal-Mart's customers generally are unwilling to pay a premium for environmentally friendly products, how is the company deriving business value from its sustainability strategy, or if not, how can it ensure that it does?
2. Imagine that you are Andy Ruben or Tyler Elm, evaluating the progress of the electronics, seafood, and textile networks. Which networks have been most successful? What factors explain the success (or lack of success) of these networks?
3. How is Wal-Mart motivating its suppliers to share information about and continuously reduce the environmental impacts of products and processes? How can the company stimulate the development of disruptive, breakthrough innovations?
4. Choose one of the three networks and propose one new "game changer" or "innovation project" not described in the case. To support your proposal, outline the environmental benefits, the profit opportunity for Wal-Mart, the greatest challenges in implementation, and how Wal-Mart could overcome them.
5. As evidenced by Exhibit 12, Wal-Mart's sustainability strategy has generally been very profitable. However, two initiatives described in the case benefit society and the environment, but apparently decrease Wal-Mart's profits. Identify those two initiatives and imagine that you are their internal champion. How could you justify pursuing those initiatives?

Session 14 – Tuesday, December 8

Student Presentation