

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

Spring 2009

## **MGT 340 Business Strategy**

Mondays 7:00-10:00 pm  
Burkle Building

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### **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	45%
Mid-term Exam	25%
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 **March 9**. 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 (**May 4**) 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 **March 30**.

## 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

<b>Date</b>	<b>Focus</b>	<b>Case</b>	<b>Text (Grant)</b>	<b>Readings</b>
January 26	The Concept of Competitive Strategy  Industry Analysis	Apple 2006	Chapters 1 and 2  Chapter 3	
February 2	Industry and Intra-industry Analysis  Positioning	Robert Mondavi	Chapter 4	“What is Strategy?”
February 9	Resources and Capabilities  Differentiation	Starbucks  Porsche AG (A)	Chapter 5  Chapter 7	
February 16		Volvo Trucks	Chapter 9	
February 23	Cost Advantage	Airborne Express	Chapter 8	
March 2	Sustainability	Matching Dell	Chapters 10 and 11	“First-Mover (Dis) Advantages”

March 9	<b>Mid-Term Exam</b>			
March 16	<b>No Class (Spring Break)</b>			
March 23	Dual Advantage	Samsung Electronics		“Creating Competitive Advantage”
March 30	Strategy and Internet	ZARA Four Seasons		“Strategy and Internet”
April 6	The Multi-market Context	PepsiCo	Chapters 13 and 15	
April 13	Alliance and M&A	Honda-Rover		“Managing International Alliances”
April 20	Global Strategy	Starbucks: A Global Work-In-Progress Porsche AG (B)	Chapter 14	
April 27	Corporate Strategy	Vivendi GE	Chapters 16 and 17	
May 4	Student Presentation			

## Detailed Session Schedule

### Session 1 – Monday, January 26

**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 – Monday, February 2

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

**Read:** Chapter 4 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 – Monday, February 9**

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

**Read:** Chapter 5 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?

**Topic:** Competitive Advantage: generic strategy, differentiation advantage, cost advantage

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

**Case:** Dr. Ing. h.c. F. Porsche AG (A): True to Brand? (HBS 9-706-018)

**Study Questions:**

1. Should Porsche move into the sport-utility market? Did it have other options? What would you have recommended at this time?
2. Where should it locate its new plant to build the new SUV? How important was it for the new model to be "made in Germany"?
3. By moving into the SUV market, did Porsche remain true to its brand? What does that mean in 1998?

## **Session 4 – Monday, February 16**

**Topic:** Competitive Advantage: generic strategy, differentiation advantage, cost advantage (continued)

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 5 – Monday, February 23

**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:** Chapter 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 6 – Monday, March 2

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

**Read:** Chapters 10 and 11 of *Contemporary Strategy Analysis*

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

**Study Questions:**

1. How and why did the personal computer industry have such low average profitability?
2. Why has Dell been so successful?
3. 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.
4. How effective have competitors been in responding to the challenge posed by Dell's advantage? How big is Dell's remaining advantage?

**Session 7 – Monday, March 9**

**Mid-Term Exam**

**No Class on March 16 (Spring Break)**

**Session 8 – Monday, March 23**

**Topic:** Sustainability, Dual Advantage

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

**Case:** Samsung Electronics (HBS 9-705-508)

**Study Questions:**

1. What recommendations would you make to Chairman Lee regarding Samsung’s reponse to the threat of large-scale Chinese entry?
2. What were the sources of Samsung’s cost advantage in DRAM in 2003?
3. What were the sources of Samsung’s price premium in DRAMs in 2003?

## **Session 9 – Monday, March 30**

**Topic:** Sustainability, Dual Advantage (Continued)

**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, particularly ones connected to its quick-response capability, 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?

**Topic:** Strategy and Internet

**Read:** M. Porter, "Strategy and Internet" (HBS R0103D)

**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 10 – Monday, April 6

**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 11 – Monday, April 13**

**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 12 – Monday, April 20

**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?

**Topic:** Global Strategy, Corporate Strategy, and Business Strategy

**Case:** Dr. Ing. h.c. F. Porsche AG (B): Made in Germany (HBS9-706-019)

1. Is the Cayenne a “real Porsche?” In what ways do you mean it is or it is not?
2. Clearly Porsche thinks that the Made in Germany is an important label and continues to think so. Why?
3. Would you continue to invest in Porsche after it became the largest shareholder in VW in 2005?

## Session 13 – Monday, April 27

**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?

**Session 14 – Monday, May 4**

**Student Presentation**