

Spring 2013

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Office Hours: By appointment

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Course Description

This course introduces the concepts, tools, and first principles of strategy formulation and competitive analysis. It is concerned with managerial decisions and actions that materially affect the success and survival of business enterprises. The course focuses on the information, analyses, organizational processes, skills, and business judgment managers must use to design strategies, position their businesses and assets, and define firm boundaries, to maximize long-term profits in the face of uncertainty and competition.

Strategic Management (BUAD 497) is an integrative and interdisciplinary course in two important respects:

1. The course assumes a broad view of the environment that includes buyers/consumers, suppliers, technology, economics, capital markets, competitors, government, and global forces. It assumes that the external environment is dynamic and characterized by uncertain changes. In studying strategy, this course draws together and builds on all the ideas, concepts, and theories from your functional courses such as Accounting, Economics, Finance, Marketing, Organizational Behavior, and Statistics. However, it is much more than a mere integration of the functional specialties within a firm.
2. The course takes a *general management* perspective. It views the firm as a whole, and examines how policies in each functional area are integrated into an overall competitive strategy. We designed this course to develop the “general management point of view” among participants. This point of view is the best vantage point for making decisions that affect long run business performance. The key strategic business decisions of concern in this course involve determining and shaping organizational purpose to evolving opportunities, creating competitive advantages, choosing competitive strategies, securing and defending sustainable market positions, and allocating critical resources over long periods. Decisions such as these can only be made effectively by viewing a firm *holistically*, and over the long term.

This course is intended to help you develop skills for formulating strategy. These skills will help you in whatever job you take after graduation as well as in your personal investing and choice of employment. The strategy formulation process demands the mastery of a body of analytical tools and the ability to take an integrative point of view. You will develop these skills through:

- In-depth analysis of industries and competitors
- Prediction of competitive behavior
- Techniques for analyzing how firms can develop and sustain competitive advantages over time

NOTE: BUAD 497 is a core course taught by several instructors. Be sure to refer ONLY to your instructor’s syllabus.

Learning Objectives

The course is composed of four interrelated modules that build on each other. The learning objectives associated with each module are intended to enable you to develop:

- 1) cognitive understanding of terminology and relationships, the purpose of which are to help you develop factual and conceptual knowledge about the field of strategic management,
- 2) skills in being able to perform specific forms of analysis, the purpose of which is to help you develop procedural knowledge specific to the field of strategic management and metacognitive knowledge in how to go about solving problems in strategic management, and
- 3) critical thinking in evaluating the empirical evidence that exists currently concerning the use and mis-use of the concepts and analyses covered, the purpose of which is to help you develop knowledge in gathering, categorizing, analyzing, interpreting, and evaluating information.

All of the graded elements of this course are based on assessing your ability to demonstrate specific knowledge in these areas.

Module I: Industry & Competitive Analysis (ICA)

1. Be able to distinguish industries from markets and to identify industry conditions most appropriate for using the ICA framework,
2. Be able to identify the sources for bargaining power among rivals and buyers, suppliers, and the relationships between bargaining power among rivals/buyers/suppliers as well as substitutes and barriers to entry.
3. Be able to identify competitive groups within industries as well as generic competitive strategies.
4. Be able to analyze appropriate industry situations as a new entrant or incumbent where ICA is more or less appropriate.
5. Be able to use the ICA analysis to predict likely direction for future competitive moves by rivals.

Module II: Internal Analysis

1. Be able to identify resources from capabilities and competencies. Be able to identify the causes of sustainable competitive advantage.
2. Be able to identify and recommend strategic choice between cost leadership and differentiation strategies at the business unit level.
3. Be able to diagnose firm competitive advantage and recommend alternative courses of action for improvement.
4. Be able to recommend alternative courses of action for creating dynamic capabilities.

Module III: Competitive Dynamics

1. Be able to identify dynamics in competitive rivalry including competitive action and response, first-mover advantage, co-opetition, multipoint competition, and winner-take-all.
2. Be able to conduct basic game-theoretic analysis to predict competitive interactions.
3. Be able to analyze underlying dynamics co-opetition strategies and make appropriate recommendations for acting both proactively and defensively.
4. Be able to analyze underlying dynamics of winner-take-all situations and make appropriate recommendations for acting both proactively and defensively.
5. Be able to analyze underlying dynamics of envelopment and make appropriate recommendations for acting both proactively and defensively.

Module IV: Corporate Strategy and Internationalization

1. Be able to identify how firms allocate resources among related and unrelated businesses and how these processes can enhance or destroy synergy.
2. Be able to identify why firms change their boundaries such as diversification, mergers and acquisitions, divestiture, and alliances.
3. Be able to recommend strategies for vertical and horizontal changes in the boundary of the firm.

Required Materials

1. **Case Package:** The assigned cases and outside readings for this course are compiled in a Course Reader which is available from the University Book Store.
2. **Blackboard (Bb):** I use Bb as my primary method of communicating with you. In addition to direct communications, you will also find additional materials posted to Bb including any syllabus updates, an overview of each session including your required preparation, copies of required and supplemental reading, as well as news posts. You should check Bb daily for any new information posted relevant to upcoming sessions.

IMPORTANT:

Since e-mails that I send to the class originate from the Blackboard system, it is your responsibility for the accuracy of your e-mail address to Blackboard by insuring that your Blackboard account settings forward your messages to your preferred internet provider (IP) account.

3. **3x5 Cards:** Please prepare a deck of 3x5 cards for recording your class participation (see description of class participation).

Reference Textbook

Grant, Robert M. and Judith Jordan. 2012. Foundations of Strategy. NY: John Wiley & Sons, Ltd. This textbook is used as a standard reference and you may also consult other textbooks for similar topics. A copy will be placed on reserve in the Crocker Business Library.

Prerequisites and/or Recommended Preparation

- **Prerequisite:** 1 from ([BUAD 250b](#) or [BUAD 281](#) or [BUAD 305](#)) and ([BUAD 304](#) and [BUAD 307](#)) and 1 from ([BUAD 215](#) or [BUAD 306](#)) and 1 from ([BUAD 302](#) or [BUAD 302t](#))
- **Corequisite:** 1 from ([BUAD 311](#) or [BUAD 311t](#))

Course Notes

1. **Course Format and the Case Discussion Method.** In order to achieve the objectives of the course, we will devote the majority of our class time to the analysis and discussion of selected management, competitive strategy, and business policy cases. Occasional lectures will be given to elaborate on key theoretical models and frameworks or to reinforce crucial concepts. Cases provide a natural "test-bed" for theory and provide vivid examples that aid memory of concepts. While nothing can surpass firsthand personal industry and managerial experience as a basis for analysis and decision-making, case analysis is an indispensable proxy for the kind of knowledge that can only be gained through years of experience and research. A mix of classic and new business cases has been selected on a range of companies from a variety of industry settings. Each case is intended to teach us something specific, yet each can teach many things. We will not attempt to exhaust each case of all its learning experiences, but rather build up a "war chest" of analytical tools, skills and insights, progressively over all the selected cases.

There are other reasons for employing the case discussion method of instruction. First, it allows you to develop skills at problem definition in addition to problem solving. Cases typically do not have an obvious set of tasks whose performance will lead to mastery. Rather, they force you to sift through a mass of information, some of it irrelevant or contradictory, in order to identify the important or strategic issues. Second, the case method gives you a chance to deal with ambiguity. Most cases do not have obvious "right" answers. Managers must be able to function in situations where the right answer is not known, without falling into the trap of assuming that any answer is as good as another. Some analyses and proposed strategies are clearly wrong, and some are clearly better than others. A popular phrase in case analysis classes is "There are *no* right answers, but there are *wrong* answers."

Case discussion techniques provide a chance to learn the *meaning* of analytical rigor in situations other than open-and-shut problems.

While I will direct class discussions, the quality of your learning experience will be directly determined by: **(1) your degree of preparation, active listening, and participation, and (2) your classmates' preparation, listening, and participation.** Some will not agree with you, and you may be asked to defend your argument or change your mind. So long as criticism is directed at arguments and not at individuals, is relevant to the issues at hand and coherently argued, it is very much welcomed.

2. **Case Preparation.** Because this course relies heavily on case material, extensive *before-class* preparation and *in-class* participation are required to ensure the class' success.
 - (1) *Preparation for a case discussion* should begin with a rapid reading of the assigned case and other materials.
 - (2) Then, it is worthwhile **to review the discussion questions posted on Blackboard** for clues as to what issues require special attention.
 - (3) 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. Push yourself to reach definitive conclusions before you come to class.
 - (4) You should perform quantitative analyses, “crunching” whatever numbers are available. It is also very important to provide quantitative support wherever possible, particularly when exploring various hypotheses as to the nature and importance of certain phenomena. If the requisite data are not available in the case, a precise description of what data are missing often triggers ideas for making creative use of the information that is available. It is usually worthwhile to identify trends in the firm or industry, preferably with a quantitative measurement. Some of these trends, often very important ones, will not be flagged in the text of the case.
 - (5) Finally, preparation will ideally include notes that can be used to guide your interventions in class discussions.

You will probably want to, and are strongly encouraged to, form *study groups* that will meet regularly to share insights and ideas about the assigned cases. While this is, of course, voluntary, past experience has shown that satisfactory performance in this course, and a good grade, depend on it.

NOTE: There is a good chance that you will feel a bit overwhelmed during the first module, or two, of the course. This is a byproduct of the peculiar structure of the strategy course that does not build up linearly by successively adding components of knowledge week by week. Rather, every case in a sense contains all the material in the entire course. Furthermore, the early theoretical concepts probably won't have much meaning for you until you've worked through a few cases. As a result, there is no logical way to start off except by immersion, i.e. throwing you in the deep end of the pool and letting you struggle to stay afloat. The good news is that the number of new ideas for you to learn drops off quickly after experiencing some case discussions, and old ideas continue to be relevant. This way you will get multiple chances to master the basic concepts of the course.

Grading Policies

Your course grade is based on both an individual and a group portion. In order to pass this course successfully, a passing grade (> 50%) must be achieved in each evaluation component listed below.

Evaluation Components	% of Grade
Class Participation	15%
Research Participation	5%
Course Preparation and Knowledge Evaluation	30%
Final Exam	25%
Group Project	25%
TOTAL	100%

Final grades represent how you perform in the class relative to other students. Your grade will not be based on a mandated target, but on your performance. Three items are considered when assigning final grades:

1. Your average weighted score as a percentage of the available points for all assignments (the points you receive divided by the number of points possible).
2. The overall average percentage score within the class.
3. Your ranking among all students in the class.

The distribution of grades will closely follow the guidelines of the Marshall School of Business.

Class Participation. This part of your grade will be based on effective contributions to class discussions. These include input that is relevant to the course content and the topic of discussion. Case courses work well, and are enjoyable effective learning experiences, if everyone is an active productive participant. Your overall class participation will be closely monitored. In grading in-class participation, I will look at both the *quantity* and *quality* of your class contributions/interventions. In-class participation is obviously a function of preparation, skills, attitude, and a willingness to actively commit yourself in front of me, and your peers. A classroom is a cost-free environment for experimenting and learning to "play the game." Make use of it. I recognize that some students are far more comfortable than others with in-class participation. However, **it is important you make an effort every class to contribute in some meaningful way.** Please feel free to come and discuss with me ways to enhance your participation.

With regard to quality, the dimensions that we look for include:

- *Relevance* – does the comment bear on the subject at hand? Comments that do not link up with what the discussion is focusing on can actually detract from the learning experience.
- *Causal Linkage* – are the logical antecedents or consequences of a particular argument traced out? Comments that push the implications of a fact or idea as far as possible are generally superior.
- *Responsiveness* – does the comment react in an important way to what someone else has said?
- *Analysis* – is the reasoning employed consistent and logical?
- *Evidence* – have data from the case, from personal experience, from general knowledge been employed to support the assertions made?
- *Importance* – does the contribution further our understanding of the issues at hand? Is a connection made with other cases we have analyzed?
- *Clarity* – is the comment succinct and understandable? Does it stick to the subject or does it wander?

Before each class discussion, it is expected that all students will make brief notes or outlines – identify critical problems, analyze relevant numbers, do the financials, generate alternative recommended courses of action, and generate ideas about how to implement them. You should rely on these notes when contributing to the class discussion.

Students will be called on, at random, to take the lead in various aspects of class discussions. Typically, we will ask one or more participants to start the class by answering specific questions such as “If you were the person in charge in this situation, what would you do?” The quality of the contributions made during these periods affect a student’s overall participation grade. Factual misstatements, comments that demonstrate a lack of adequate preparation, or comments that come late in a discussion that distract the class and indicate that the student has not been actively listening will be noted as “negative” course participation.

Participation Cards

At the end of each case discussion, students who actively participated in the discussion should turn in a Participation Card. **These cards should list your name, the date, the case discussed that day, and a synopsis of your contributions during that day’s discussion.** The Participation Cards will be used in combination with my own daily evaluations to determine your participation grade for the day. For this purpose, please prepare a package of 3x5 index cards and bring them to each class.

Attendance Policy

Class attendance is ABSOLUTELY essential. This course heavily relies on your participation and discussion, unlike an instructor-led lecture. All missed classes will be noted. The policy on missed classes is

to allow each student **two (2) absences**, no questions asked, no penalty. All further absences over the limit will reduce the student's participation grade, no questions asked, no excuses of any kind accepted. **Students with an excessive number of absences are at risk of failing the course.** Only Official University engagements, such as scheduled debating events, sports events, are accepted as exceptions to this policy. Job interviews, etc., are not excused, so choose your absences carefully. Habitual lateness and leaving class early, for whatever reason, will be noted as evidence of low course commitment and penalized.

Research Participation.

The University of Southern California, of which you are a member, is one of the world's leading research universities. The Marshall School of Business is also a leading center of research within its scholarly domain including strategic management, organizational behavior, marketing, finance, accounting, and information and operations management. This recognition by the outside community enhances the value of your degree to employers as well as to other educational institutions to which you may subsequently apply for further education. Research universities are distinguished by not just educating students in past knowledge but also by being the primary engine that creates new knowledge for the advancement of society. Research within the Marshall School takes several forms from for example, historical analysis of published records, participant observation and in-depth interviews, surveys of current business practices, to laboratory research. You have an obligation as a student member of the University's scholarly community to contribute to the research mission because you personally benefit from the results of this research in your education by learning the latest information from leading research scholars in their field and the reputation by association you enjoy now as a student and in the future as a graduate. The stronger this reputation becomes over time, the more you personally benefit long after your days as a student. Therefore, there is a mandatory research requirement as part of your education in the Marshall School in this course. You can choose one of two options to fulfill this requirement. Please note that, if you do not complete one of these two options, you will lose the points for this part of your grade.

Option 1. First, you can participate in research studies. To do this, you will attend sessions outside of class, conducted by researchers in MOR at Marshall. You will earn ½ credit or 1 credit for each separate study you complete; most sessions are no more than an hour long. You will need to obtain 4 credits during the semester in order to fulfill the research requirement. If you choose this option, please register for an account at <http://marshall-mor.sona-systems.com/> (see instructions posted separately to Blackboard) no later than TBA, 2013. Those who do not register or reactivate by this date will be required to complete Option 2. After you verify your account, you will need to check the site regularly to find open studies and sign yourself up for appointments. Studies are scheduled throughout the semester, on various days and times. It's important that you complete your credit early; if you wait until the end of the semester, there may not be enough studies available. You are not guaranteed an available study spot. *Please note: If you earn your first 3 credits by showing up to ALL of your scheduled sessions, on time, then you will earn your 4th credit "free," as a bonus. That is, the system is "earn three, get one free"-- again, provided that you show up to all three early sessions as scheduled and on time.* To receive full participation points, you must earn your first credit by TBA, 2013. Your other credits can be earned any time before TBA, 2013. As a courtesy to the researcher and other students waiting for spots, please use the online system to cancel your appointment ASAP if you can't make it.

Option 2. Your second way to complete the research requirement is to write 3 short, 3-page research papers on topics prearranged with your discussion instructor or 497 professor. Students must be aged 18 or older by TBA, 2013 in order to choose Option 1; otherwise, you will need to use Option 2. Papers must be turned in no later than TBA, 2013 to your Professor or discussion instructor.

IMPORTANT NOTES: (A) If you have already have a research study account from a past BUAD 304 or BUAD 497 course, you will need to email the administrator from the website in order to request account reactivation. Past credits earned CANNOT be used for current courses. (B) If you are enrolled for Marketing BUAD 307, please make sure you visit the Marketing research study website your Marketing Professor has given you. Please see your Marketing syllabus. Each course has its own unique Sona Systems web address. **Credits will NOT transfer from one class to the other for credit fulfillment, no exceptions.**

- **Questions about completion of the studies (Option 1) should be directed to Ms. Jennifer Lim at Jennifer.Lim@marshall.usc.edu or (213) 740-0741 in BRI 306.**

Course Preparation and Knowledge Evaluation. To evaluate your course preparation and your understanding of course materials, quizzes, case notes, short case analysis write-ups and/or in-class presentations may be used throughout the semester. Detailed instructions regarding this component will be posted on blackboard.

Final Exam. A final exam is scheduled according to the University's final exam schedule. You must attend the exam for your specific section. The exam may consist of multiple choice, short answer and short essay questions, and may require analysis of a short case. The final exam will be cumulative, based on all material covered in the course throughout the semester. Detailed information regarding this component will be posted on blackboard.

Please note: The date/time of the Final Exam is determined by the University. For the date and time of the final for this class, consult the USC *Schedule of Classes* at www.usc.edu/soc. Select the corresponding semester to view and click on the "Final Examinations Schedule" link on the left side of the screen. **It is your responsibility to verify the accuracy of this date and time.**

Group Project. The group project is a team exercise. The main idea of the term project is to conduct an in-depth study of a particular industry, and to compare and contrast the competitive strategies of a firm (or a group of firms) within the industry. The group is free to choose the industry and the specific firm(s) it will analyze. However, if I believe the industry and/or firm you choose are not appropriate, I may advise you to choose a different industry and/or firm. Detailed instructions regarding the group project will be posted on blackboard.

- ❖ **Written Report:** Your report should include three major parts such as an industry analysis (including a brief history of the industry and future directions of the industry as a whole if appropriate), a strategic analysis of the firm(s) of interest, and practical recommendations for the future.
- ❖ **Presentation:** All groups will present their solutions. The presentation allows the team to report its analysis and recommendations to the class. The exact presentation time and date for each team will be assigned. The presentation will also be graded on a group basis. You will receive comments and from all class participants on your presentation. Clarity and creativity are strongly encouraged in the presentation.
- ❖ **Peer Evaluations:** Each of you will complete a peer evaluation of the members of your group. The peer evaluation form is in the Appendix and will also be posted on Blackboard. Your peer evaluation form is due no later than the last day of class.

MARSHALL GUIDELINES

Add/Drop Process

If you are absent six or more times prior to *TBA, 2013* (the last day to withdraw from a course with a grade of “W”), I may ask you to withdraw from the class by that date. These policies maintain professionalism and ensure a system that is fair to all students.

Retention of Graded Coursework

Final exams and all other graded work which affected the course grade will be retained for one year after the end of the course *if* the graded work has not been returned to the student (i.e., if I returned a graded paper to you, it is your responsibility to file it, not mine).

Technology Policy

Laptop and Internet usage is not permitted during academic or professional sessions unless otherwise stated by the professor. Use of other personal communication devices, such as cell phones, is considered unprofessional and is not permitted during academic or professional sessions. ANY e-devices (cell phones, PDAs, I-Phones, Blackberries, other texting devices, laptops, I-pods) must be completely turned off during class time. Upon request, you must comply and put your device on the table in off mode and FACE DOWN. You might also be asked to deposit your devices in a designated area in the classroom. Videotaping faculty lectures is not permitted due to copyright infringement regulations. Audiotaping may be permitted if approved by the professor. Use of any recorded or distributed material is reserved exclusively for the USC students registered in this class.

Statement for Students with Disabilities

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. For more information visit www.usc.edu/disability.

Statement on Academic Integrity

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one’s own academic work from misuse by others as well as to avoid using another’s work as one’s own. All students are expected to understand and abide by these principles. *SCampus*, the Student Guidebook, (www.usc.edu/scampus or <http://scampus.usc.edu>) contains the University Student Conduct Code (see University Governance, Section 11.00), while the recommended sanctions are located in Appendix A of *SCampus*.

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: <http://www.usc.edu/student-affairs/SJACS/>. Failure to adhere to the academic conduct standards set forth by these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal.

Emergency Preparedness/Course Continuity

In case of a declared emergency if travel to campus is not feasible, USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies.

Please activate your course in Blackboard with access to the course syllabus. Whether or not you use Blackboard regularly, these preparations will be crucial in an emergency. USC’s Blackboard learning management system and support information is available at blackboard.usc.edu.

Unit	Date		Readings	Assignment
Module 1: Industry Analysis	15-Jan	1	Syllabus (Seriously. Actually read It. Before class.)	
	17-Jan	2	Case: Walmart Stores, Inc; Shulman, "Love is a Fallacy"	Sign up for a research account
	22-Jan	3	Porter, "The Five Competitive Forces that Shape Strategy"	
	24-Jan	4	Case: Crown Cork and Seal	
	29-Jan	5	Strategic Management pp127-147	
	31-Jan	6	Case: Cola Wars Continue: Coke and Pepsi in 2006	Last day to fill out team form
	5-Feb	7	<i>In-person team meetings</i>	
	7-Feb	8	<i>In-person team meetings</i>	
Module 2: Internal Analysis	12-Feb	9	Porter, "Generic Competitive Strategies"; Porter, "What is Strategy?"	Deadline to choose topic for option 2
	14-Feb	10	Ghemawat & Rivkin, "Creating Competitive Advantage"	
	19-Feb	11	Case: Ikea invades America	
	21-Feb	12	Case: Apple in 2008	
	26-Feb	13	Case: Airborne	
	28-Feb	14	Case: Gucci	
	5-Mar	15	<i>Midterm</i>	
Module 3: Competitive Dynamics	7-Mar	16	Coughlan, "Competitor Analysis: Anticipating Competitive Actions"	
	12-Mar	17	Case: Dogfight over Europe: Ryanair A	
	14-Mar	18	Case: BSB and Sky	Project write-up A due in class
	Mar 18- Mar 23		<i>Spring Break</i>	
	26-Mar	19	Brandenburger and Nalebuff, "Right Game: Use Game Theory to Shape Strategy"	
	28-Mar	20	Case: Ready-to-eat breakfast cereal	
Module 4: Corporate Strategy	2-Apr	21	Piskorski, "Note on corporate strategy"	
	4-Apr	22	Case: Walt Disney: The Entertainment King	
	9-Apr	23	Case: Saturn: A Different Kind of Car Company	
	11-Apr	24	Case: Google, Inc.	
	16-Apr	25	Case: Google in China; Blackboard Readings	Group Project write-up B due in class
	18-Apr	26	Case: Patagonia	
	23-Apr	27	<i>Team presentations</i>	
	25-Apr	28	<i>Team presentations</i>	
	30-Apr	29	<i>Team presentations</i>	
	2-May	30	Blackboard Readings	
	Finals		<i>TTH10:May 14 11a-1p; TTH2: May 9 2-4p; TTH4:May 9 4-6p</i>	