COURSE DESCRIPTION

This course is designed to introduce 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, and skills and business judgment managers must use to craft strategies, position their businesses and assets, and define firm boundaries, so as to maximize long-term profits in the face of uncertainty and competition.

Strategic Management is an integrative and interdisciplinary course in two important respects. First, it assumes a broad view of the environment that includes buyers/consumers, suppliers, technology, economics, capital markets, competitors, government, and global forces. And it assumes that the external environment is dynamic and characterized by uncertain changes. Second, the course takes a general management perspective. It views the firm as a whole and examines how policies in each functional area can be integrated into an overall competitive strategy. 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. This course, however, is much more than a mere integration of the functional specialties within a firm. It has been designed to develop among participants the “general management point of view.” The best vantage point, in fact the only valid vantage point, for making decisions that affect long run business performance is the general manager’s point of view. The key strategic business decisions we will analyze in this course include creating competitive advantages, choosing competitive strategies, adapting to changing opportunities, securing and defending sustainable market positions, and allocating critical resources over relatively long periods of time in pursuit of specific goals and objectives. Decisions such as these can only be made effectively by viewing a firm holistically and over the long term.

This course helps students develop skills for formulating strategy. The strategy 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
EDUCATIONAL OBJECTIVES

Theory and Concepts. The central concept of this course is that of competitive 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. Successful strategies exploit external conditions, entrepreneurial insights, and internal resources, seeking configurations of prices, preferences, technologies, and information that offer opportunities for sustainable competitive advantage. Strategy can be usefully thought of as the comprehensive alignment of an organization with its future environment.

Understanding the concept of competitive strategy formulation is a primary educational objective of this course. This will involve mastering an array of economic, strategic, and organizational concepts and theories, and acquiring an integrative general manager’s point of view. The course will cover theories for in-depth industry and competitor analysis, for anticipating and predicting future industry developments, and for examining the impact of change (in technologies, tastes, government regulations, global competition, and other important environmental forces) on competition and industry evolution.

While our primary focus will be on mastering strategy formulation at the business unit or competitive level, the course will also examine corporate and global strategy issues such as diversification, vertical integration, economies of scope across related businesses, the transfer of technology and core competencies, and international expansion and growth.

Analytical Skills. Theoretical concepts are a great aid to understanding, but by themselves they do not help resolve real business problems or challenges. Also needed are analytical skills and techniques that can be applied to the data to "fill in" the facts and premises assumed in the theories. A second educational objective is to further increase each student’s inventory of useful analytical skills and tools. Some of the tools are quantitative -- analyzing financial statements, computing comparative buyer costs, and calculating the effects of scale and learning on production costs, for example -- while others are more qualitative. Learning how to apply these techniques, and, more importantly, when to apply them is a key objective of the course.

In learning to size-up a business and its problems or opportunities, this course will allow you to gain experience in conducting "full blown" strategic analyses. That is, identifying firms’ strategies and testing them for consistency, recognizing potential entrepreneurial opportunities and strategic challenges/problems, selecting and establishing competitively protected market niches, identifying competitive advantages and shaping defenses to circumvent the advantages of rivals, formulating and implementing internally consistent business strategies, and designing efficient and effective organizations.

Rhetorical Skills. The best analysis in the world will have little effect if it cannot be communicated to others. Managers must be able to articulate their views coherently and persuasively, and they must be skilled at understanding and critiquing other points of view. Management is a "verbal sport;" perhaps 90% of a typical manager's day is consumed by oral communication. Time is often scarce. You must learn to make convincing arguments and to make them quickly, or the merits of their ideas are likely to become simply irrelevant. This skill takes practice, and we will place a great deal of emphasis on it in class.

Wisdom. A fourth goal of this course is to help you build up your set of useful "stories" and heuristics for your future managerial careers. In this course we are as much interested in developing an appreciation for the art of management as we are in understanding the science of management. Tools alone will not a strategist make. While the ability to master analytical models, frameworks, and tools is essential, ultimate success is more strongly predicated on prescient judgment, entrepreneurial insight, iconoclastic vision, and a willingness to forcefully act with conviction.
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. These lectures, however, will be subordinate to the case analysis. Cases provide a natural "test-bed" for theory and provide vivid examples that help us remember concepts. While nothing can surpass first hand 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 old 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.

Reasons for employing the case discussion method of instruction include:

- The case method 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.
- 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. Remember: "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.

These rationales are offered because the case method is unfamiliar to most of you and frequently causes initial confusion. There will be many times when we, as your instructors, will not reveal our own opinions about a particular issue, and there will be many cases which will not end up neatly packaged with an "answer." You may discover that your preparation "misses" key points of a case, especially at first. This is a normal part of the learning experience.

While we 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.

**Case Preparation.** Because this course relies heavily on case material, extensive preparation _before class_ and participation _in class_ are required to ensure the course's 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 provided for clues as to what issues require special attention. (3) The next step is normally to re-read the case carefully, taking notes that sort information, facts, and observations under a number of relevant headings. Try to formulate theories or hypotheses about what is going on as you read ("the company loses money on small orders"), modifying or rejecting them as new information surfaces ("Table 2 shows that shipping costs per unit are higher for small orders, but only for long-distance shipments"). 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 include notes that can be used to guide your interventions in class discussions.
**WARNING!** There is a good chance that you will feel a bit confused or 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 the first three modules and old ideas continue to be relevant. This way you will get multiple chances to master the basic concepts of the course. So remember: SOME CONFUSION IS NORMAL AT FIRST.

To have made it this far in the business program at Sacramento State, simply put, you must be good. You have tackled numerous challenges, demonstrated a high level of competence, and mastered many very difficult courses and business concepts. So as this course attempts to overwhelm you, don't ever forget that you are good! Keep in mind that this *capstone* course has been expressly designed to make you even better. It will constantly push you and "help" you discover areas of weakness in need of improvement. We will test you with fire, in a *cost-free* environment. For some, this course will be "finishing school," for others, unfortunately, it will be like "boot camp." This is the course that makes you wish you had never sold those old textbooks -- because we will be using all the "stuff" in them, again. Whether you have aspirations for top management positions or not, this course will make you better in your own chosen business specialty.

**COURSE EVALUATION**

Course grades will be determined by students' relative performance on the following course components:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Course Contribution</td>
<td>20%</td>
</tr>
<tr>
<td>Group Project</td>
<td>26%</td>
</tr>
<tr>
<td>Group Case Presentation</td>
<td>10%</td>
</tr>
<tr>
<td>Individual Assignments (2 SA’s and 1 QA)</td>
<td>18%</td>
</tr>
<tr>
<td>Exam</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
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In order to successfully pass this course, a passing grade (> 50%) must be achieved in each individual course component. Plus and minus grades will be assigned to those immediately above or below grade cutoff points. The distribution of grades will closely follow the guidelines of the College of Business Administration.

**Attendance Policy:**

Class attendance is absolutely essential. All missed classes will be noted. Absences will reduce the student's participation grade. Students with excessive absences are at risk to fail the course. Only Official University engagements, such as scheduled debating events, sports events, are excused. Job interviews, etc., are not excused. Lateness (and leaving class early), for whatever reason, will be noted as evidence of low course commitment and penalized.

**Class Contribution/Participation:**

Your overall commitment and attitude toward this course and your daily active *verbal* participation in case discussions will be closely monitored. In grading class participation, we will look at both the *quantity* and *quality* of your class contributions/interventions. Class participation is obviously a function of preparation, skills, attitude, and a willingness to actively commit yourself in front of your instructor and colleagues. A classroom is a *cost-free* environment for experimenting and learning to "play the game." Make use of it. Shyness is no excuse.

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?

All students will be formally called on, at random, to take the lead in various aspects of class discussions. If the student called upon is not present, is late, or is not sufficiently prepared to make a substantial contribution to the class discussion, he/she will lose points for class contribution. If the student makes helpful comments, he/she will accumulate points for class contribution. Failure to be thoroughly prepared, on all occasions, will hurt your overall grade.

Each student will receive a score for participation at the end of each case discussion session.

No Credit -- Students who make no contributions will receive no credit.

A Little Credit -- The simple recitation of facts from the case will receive some credit toward the student’s class contribution score.

More Credit -- Comments that do more than simply recite case facts, however, will receive significantly greater credit towards a student’s class contribution score. For example, comments that provide synthesis or raise counterintuitive points, will add much more to a student’s class contribution score.

Comments that contain factual misstatements, demonstrate lack of adequate preparation, or are distracting because they come too late in the discussion, will be penalized. Attempts to dominate class discussion rarely result in consistent and significant contributions.

Group Project:

A major group project is required. The final report will contain a comprehensive analysis of a company that will be assigned during the semester. The case analysis should be comprehensive, and should include identification of all major problems and challenges, an analysis of potential options, and detailed recommendations. The paper should incorporate relevant theoretical concepts, frameworks and models from the course. More detailed guidelines will be given during the semester.

Group Case Presentation:

You will be required to participate in a brief case presentation to the class as part of a group. The presentation will be graded on a group basis. Each group must choose a case and present two types of information: important facts mentioned in the case and recent information collected from external sources regarding the focal firm and its competitors’ strategic positions (plus deal with any special issues as directed by the instructor). You will make your group case presentations before case discussions using an overhead projector or computer, and use your business communication skills to explain and defend your conclusions to the class. Presentations should take 10-15 minutes. Presentations must be made in groups of 4-5 members. You are advised to request a date for a presentation in advance and to talk with your instructor ahead of time about your presentation. Groups that do not volunteer for presentations will have them assigned to them. No write-up is required when a group case presentation is made; however, groups should provide their instructors with a copy of their presentation slides and a full list of all members of the presenting group prior to making your presentation.
Short Assignments:

You are required to complete two (2) short assignments [SA]. If you wish, you may submit two SAs in a section (see below for SA sections A and B) and only the best one will count towards your final grade. The short assignments are of different types. Some require the application of particular analytical tools or models to a case. Others require you to provide recommendations to the company featured in a particular case. SAs will typically consist of your key recommendations to the managers in a case, along with the supporting logic for those recommendations. They should be presented in memo format (bullet points are acceptable if the points are explained sufficiently). You should identify the strategic problems facing the managers, state your position as what the managers in the case should do, and support that position using strategic logic. You should not use precious space rehashing facts from the case. Instead, key facts should be used (sparingly) to help justify particular recommendations. That is, do not simply restate what the case writer has said in other words. Try to go beyond the facts provided by the case writer by doing some new analysis of the situation facing the managers. Then develop recommendations based on the analysis. Also, when making recommendations, do not dwell on things that the company is already doing. Instead focus on things it is not yet doing, but probably should, according to your analysis.

You must do at least one SA from each of the following groups:

<table>
<thead>
<tr>
<th>✔ Section A</th>
<th>✔ Section B</th>
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<tbody>
<tr>
<td>Apple Computer 2002</td>
<td>De Beers</td>
</tr>
<tr>
<td>Coke vs. Pepsi</td>
<td>Intel</td>
</tr>
<tr>
<td>Nintendo</td>
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Quantitative Assignments:

Of the Three (3) assignments you are required to turn in this semester, one (1) of them must be quantitative assignments [QA] listed in the course schedule below. Quantitative assignments usually involve numerical and/or graphical analysis of data from the cases we will discuss.

You must do one of the following three QAs:

| ✔ Wal*Mart | ✔ RTE Breakfast Cereal | ✔ Nucleon |

Policies for SA and QA assignments:

1. Late SA and QA assignments will not be accepted. No excuses, no exceptions.
2. SA assignments must be no longer than two double-spaced pages.
3. The written portion of QA assignments must be no longer than two double-spaced pages.
4. SA and QA assignments must be typed in 12-point font with one-inch margins around the page.

While I encourage you to work in groups discussing the cases and formulating answers to the questions, group discussion is not a substitute for understanding the case material, and the written responses must represent your own work. Due to time constraints I will only briefly evaluate each SA or QA (without written comments). You will know how good a job you’ve done on each assignment after the case is discussed. If after the case discussion you are still not clear about why you earned a certain grade on an assignment, I strongly encourage you to discuss with me after class.

Exam:

An exam in the form of multiple-choice questions or case analysis, or both, will be given. More details will be announced toward the end of the semester. The best way to prepare for the exam is to complete all assigned readings and fully prepare for and participate in every case study.
# COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Session</th>
<th>Date</th>
<th>Case/Topic</th>
<th>Course Deliverable</th>
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</table>
| 1       | 2-Sept   | Course Introduction & Group Formation  
*Lecture I*: Thinking Strategically                                                                 |                    |
| 2       | 9-Sept   | Wal-Mart Stores, Inc.  
*Lecture II*: External Environment, Demand, Industry Structure Analysis and the Search for Sustainable Competitive Positions | QA  
H.I.H: 1 & 2 |
| 3       | 16-Sept  | Apple Computer 2002                                                                                                                         | SA                 |
| 4       | 23-Sept  | Coca Cola vs. Pepsi-Cola and the Soft Drink Industry                                                                                         | SA                 |
| 5       | 30-Sept  | *Lecture III*: Rivalry, Competitive Dynamics and Industry Evolutions  
Power Play: Nintendo in 8-bit Video Games                                                                 | H.I.H: 5 & 9  
SA |
| 6       | 7-Oct    | Group Project Preparation                                                                                                                   |                    |
| 7       | 14-Oct   | *Lecture IV*: Generic Business Strategies, Sources of Competitive Advantage, and Value Chain Analysis  
The Ready-to-Eat Breakfast Cereal Industry | H.I.H: 3 & 4  
QA |
| 8       | 21-Oct   | The Ready-to-Eat Breakfast Cereal Industry (continued)  
DeBeers Consolidated Mines, Ltd. (A)                                                                 | SA                 |
| 9       | 28-Oct   | *Lecture V*: Corporate Strategy-making in Multi-business and Global Contexts  
Intel Corp. – 1968-2003                                                                                       | H.I.H: 6 & 8  
SA |
| 10      | 4-Nov    | Nucleon, Inc.  
*Lecture VI*: Strategy Implementation: Governance, Control and Organizational Design                                                   | QA  
H.I.H: 10 & 11 |
| 11      | 18-Nov   | **Exam**                                                                                                                                     |                    |
| 12      | 25-Nov   | **Faculty Furlough Day; No Regular Class; No Assignments Required**  
Self Study: Shanghai Volkswagen: Facing a New Era                                                                                  |                    |
| 13      | 2-Dec    | Group Project Preparation                                                                                                                   |                    |
| 14      | 9-Dec    | Group Project Preparation                                                                                                                   |                    |

**H.I.H.** denotes the Hitt, Ireland and Hoskisson textbook, *Strategic Management*, 6th, 7th or 8th ed.  
**QA** denotes that a *Quantitative Assignment [QA]* may be submitted at the beginning of this class period.  
**SA** denotes that a *Short Assignment [SA]* may be submitted at the beginning of this class period.