MHR 713
Business Strategy
Fall Semester, 2000
Section 2 T & Th  9:30-10:45  1185 Grainger
Section 4 T & Th  11:00-12:15  1185 Grainger
WEB SITE:  http://instruction.bus.wisc.edu/tpollock/

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Required Readings: Course Reading packet (purchase from UW copy center)

COURSE OVERVIEW
Strategic management explores how firms achieve competitive advantage in the context of single
and multi-business firms. The single-business firm must leverage its distinctive strengths to
exploit industry opportunities. We will explore what managers must do to create value in and
across business units. An increasingly significant component of strategy is acquisitions and
divestitures. By the end of the course, you will be able to:

✓ Explain how firms create value at the business level.
✓ Design policies and incentives that help a firm to manage strategic business units.
✓ Explain how firms can add value through acquisitions.
✓ Design steps to manage the acquisition process.

DETAILED COURSE DESCRIPTION
The pervasive concept in this course is that of strategy. Your introductory strategy course will
focus on the business level and examine the challenges of managing a firm competing in a single
industry. An integral part of this study will be an exploration of the resources and capabilities
underlying strategy and how they may be leveraged among varying settings and situations.

Strategic management is more than analysis. To be sure, analysis is an important part of this
course, and we will explore and apply several analytical techniques for positioning a firm or a
business unit within a competitive environment. But strategic analyses are complicated by the
These trade-offs inherent in any situation. These trade-offs reflect the fact that organizations consist of many players with competing objectives, drastic time constraints, and limited objective information. When dealing with these tradeoffs, general managers must confront the judgmental issues involved in establishing organizational purpose and balancing economic and non-economic objectives. In each class we will attempt to balance these tradeoffs and to test our ideas about the appropriate relationships among them.

Finally, strategic management requires moving beyond analysis and trade-offs into the realm of strategic action. Once the analytical problem of selecting a strategy has been dealt with, we should know which action steps to undertake and make recommendations accordingly. Since many firms appear to follow similar strategies (look at the airline industry for example), knowing how to execute the selected strategy is essential to success. To the extent possible with each case, we will concern ourselves with the various combinations of systems (information, control, reward, etc.), organization structures, and people necessary to execute a given strategy. We will test our ideas about the relationships between strategy and these other elements as we proceed through the course.

**Themes**

To help you develop your strategic thinking skills the course is organized around two themes in strategic management: (1) the role of the general manager, and (2) identifying and leveraging business resources to create competitive advantage in an industry. While point (2) is somewhat self-explanatory, point (1) may not be and is therefore explored briefly below:

Most of the courses you take in a masters program teach you how to excel in a functional area like human resources, finance, accounting, marketing, operations, or information systems. However, the overarching perspective in this course is that of the general manager whose responsibility is the health of the entire firm or a multi-market or multi-product division. The key tasks involved in general management include the detection of and adaptation to environmental change, the procurement and allocation of resources, the integration of activities, resources, and capabilities across subparts of the organizations, and, at the most senior levels, the determination of purpose and the setting of corporate direction. Successful general managers are highly competent in problem identification and analysis and have a strong action orientation. One purpose of this course is to provide an environment that will allow you to practice and hone these skills, while at the same time gain a conceptual understanding of the strategic manager's task. Another purpose is to provide you with some accounting of your portfolio of managerial skills.

General managers are in the position to make strategic decisions for the firm. Note that such managers are not "generalists" in the sense that they need to know a little bit of everything, but not very much of anything. To be effective, general managers need to have in-depth understanding of the generic problems in all the relevant functional areas. Furthermore, they must be able to deal with problems and issues at the level of the total enterprise and its relationships with relevant external environments.

Functional specialists will benefit from the general management perspective developed in this course even though they may not be (or want to be) general managers. The bias of strategy is that every function's actions should be coordinated with the overall needs of the business. In fact, functional specialists are the people on whom general managers must rely to inform and
implement their strategies. Since such functional managers can be subject to sub-optimizing pressure, they too need to understand the general manager's perspective.

**General Flow of the Course**

As noted above, we will start the course by looking at the role of the general manager and then proceed to examine single-business companies. Similarly, we will use the cases to demonstrate the application of basic techniques of strategic analysis, and then expand and modify them to fit a range of situations. We will examine many sectors of the economy, as well as companies headquartered in many countries. As we proceed through the course, the classes and cases used in them will "build" on each other in such a way that the knowledge and skills gained in analyzing one session can be used in subsequent cases. Throughout the course we will maintain our concern with both analysis and implementation.

At the beginning of each class I will ask if there are any questions regarding the readings. If there are no questions we will proceed with the case. If there are any questions I will be more than happy to answer them. I assume and expect that you will have completed all of the assigned readings prior to class, and that you are ready to use them as a basis for further discussion. If you are unclear on a particular concept it is up to you to ask for a clarification or further explanation. Given the short amount of time we have together, I feel that daily lectures simply regurgitating the readings do not make the best use of our time. You should come to class familiar with the concepts in the readings and ready to apply them to the day's case.

It is important to recognize that the point of our class discussions is not to formulate a lowest-common-denominator solution. Rather, we will learn about the dynamics of strategic management through the process of grappling with difficult problems. Indeed, both the frustrating and intriguing part about strategy is that some problems may have multiple viable solutions; each solution, in turn, may result in both success and additional messy problems. The more thorough we are in the assessment of a particular strategy's weaknesses, the better we will be able to make adjustments that increase the probability of its successful implementation. If I challenge your conclusions in class that does not necessarily mean that I disagree with you. During class discussions I may play the role of the devil's advocate, taking an alternative position from that being presented in order to extend the debate and fully consider all options. I will usually share my actual views on the cases' issues with you. I will do this not to impose a "preferred solution," but because I feel that I have a responsibility as a person experienced in this field to let you hear my viewpoint.

All that being said, it is important to recognize that saying that there can be multiple "right" answers does not mean that there are no "wrong" answers. Misinterpretation of facts, failing to consider crucial pieces of information, or the misapplication of definitions and frameworks can clearly lead to inappropriate conclusions.

**Required Readings**

One textbook, cases, and supplementary articles are required reading for the course. The supplementary articles will be used to support conceptual development for a particular class, beyond that covered by your text or provided by me. Our readings and class discussions will help us understand how firms formulate and implement strategies under the impetus of competition, technology, government action, and other major contextual forces. Because general
management requires a deep understanding of the functional strategies associated with marketing, operations, finance, and human resources, you will need to bring what you have learned in your career to bear in this class. Part of our challenge in this course will be to synthesize these functional strategies into overall business and division-level strategies and to concern ourselves deeply with the implementation of the chosen strategies.

**Performance Measures and Feedback**

The primary tools for assessing your performance are the written assignments and your contribution to the class. These are closely tied to the readings and the mini-lectures. Your grade for the course will accordingly be based on the following components:

**Written Assignments** There are several substantive pieces of written work required for this course: three group case projects, one major group written project, and one individual written case project.

**Group Projects (40% of grade)** Coordination is a major part of management. Strategic management requires that the executive team coordinate closely on highly complex issues. Part of your group grade (5%) will be based on your group's performance on several small case problems spread over the duration of the semester -- group assignments are denoted by a "☆" in the course assignments section, and summarized on the class calendar.

The bulk of your group grade (35%) will reflect your analysis of a single business firm that is in a position to conduct acquisitions -- **choose your firm carefully. I will say more about firm selection in class.** This project requires a one-page proposal and one written assignment as described below. For the major written assignment I am expecting an executive briefing -- 3 very concise pages (following examples provided on the class web page), and your recommendations for strategic action. Analysis has little value when it can not be translated into decisive action. Review the course calendar for due dates. **Take special note of the grading criteria for written assignments and the format guidelines. Papers that exceed page limitations will be penalized:**

**Major Group Assignment Outline:** On one page, identify the chosen company, summarize why you chose it, what line of business it engages in (from its Federal 10-K or elsewhere), its five-year stock return compared to the relevant index (Dow Jones Industrials, S&P 500, NASDAQ, ..., etc. - Quicken.com has tools that allow you to do this easily and quickly) and the names of the CEO and her/his top management team (from Hoovers, 10-K, proxy). **DUE Session 5.**

**Major Group Assignment:** Analysis of value creation across lines of business and acquisition recommendation (3 pages). Your company's shareholder group has hired you to evaluate the firm’s efforts to create value within its primary line of business and to identify a specific acquisition candidate that will help leverage and/or enhance the firm's value creating activities. In assessing the company you need to: determine whether or not the firm's present efforts create value; identify and provide evidence of how value is created; and identify any activities that do not create value, or are value destroying. In evaluating and recommending a potential acquisition candidate you should be able to discuss: what resources or synergies the acquisition candidate possesses that make it attractive; how the acquisition will improve the firm's competitive position; whether or not you have any reason to believe that the firm...
will be able to "buy low"; and what the firm will have to do before, during, and after the deal is closed to create the anticipated value. **DUE Session 11.**

**Individual Executive Briefing (35% of grade).** You are responsible for one written executive briefing (2 pages) based on your analysis of a case to be assigned by me -- **use only the material provided in the case.** The case will be assigned by me in the second half of the module and is due at the beginning of session 9. Use the web page examples of conducting a value creation analysis for format and pay close attention to my grading guidelines. For the executive briefing the case questions may or may not be helpful in this process, but they are generally indicative of important case issues. It is not easy to fit a rigorous analysis into such a short space but this is what executives typically demand. Graphics, tables, and bullets may help you to make points in the most concise way. **DUE Session 13.**

**Class Contribution (25% of grade).** In a typical class session, one or more students may be randomly asked to start the class by answering a specific question (e.g., How does reading relate to the case?) or discussing a specific issue. Preparation of the case (including the assignment questions) and associated readings should be sufficient to handle such a lead-off assignment. After a few minutes of initial analysis, we will open the discussion to the rest of the class. As a group, we will then try to complete the analysis of the situation and address the problems and issues presented in the case. We will also spend time talking about the implementation of those recommendations and some of the complexities of effecting change in strategic management situations.

Most general managers spend little time reading and even less time writing reports (that's one justification for the executive briefings being brief). The vast majority of their interactions with others are verbal. For this reason, the development of verbal skills is given a high priority in this course. The classroom and project groups should be considered a laboratory in which you can test your ability to convince your peers of the correctness of your approach to complex problems, and of your ability to achieve the desired results through the use of that approach. Some of the behaviors that affect class or group contribution are captured in the questions that follow:

1. Do the comments show evidence of analysis of the case?
2. Do the comments add to our understanding of the situation?
3. Is the contributor a good listener? Are the points that are made relevant to the discussion? Are they linked to the comments of others?
4. Do comments clarify and highlight the important aspects of earlier comments and lead to a clearer statement of the concepts being covered?
5. Does the contributor distinguish among different kinds of data (that is, facts, opinions, beliefs, concepts, etc.)?
6. Is there a willingness to test new ideas, or are all comments "safe"? (For example, a safe comment might be the simple repetition of case facts without analysis or conclusions).
7. Does the contributor ask questions of other students and the instructor rather than limit participation to responding to the questions?
The questions above deal with both the process of class and group contribution and (of equal or greater concern) the content of what you say. As you have already noted, class contribution will be a significant portion of your grade in this course. Appendix 1 to this course description provides additional information on its views of the case method and why it is used so extensively in Strategic Management.

Because quality class contribution figures prominently in this course (25% of your grade), you may not rely on notes, handouts, or cases from students who have covered this material previously. Similarly, you should not use duplicated readings/cases/handouts since these are likely to be "marked up" or highlighted according to the judgments of others; a critical job of the strategist is to discriminate between meaningful data and "noise." Remember, while class attendance is not a substitute for verbal contributions, it will be virtually impossible to do well on this dimension if you do not regularly attend the course. Missing class for ANY reason will impact your participation grade, although some reasons will hurt your grade less than others. Similarly, if you are regularly tardy to class I reserve the right to lower your class contribution grade since late-comers interrupt the class. Finally, if you do not participate in class discussions you will not receive a grade higher than a B in this course, regardless of how you perform on the written assignments.

Other Administrative Details

Faculty members tend to have somewhat different expectations as to class behavior and course norms; I'd like to outline a few of my expectations concerning such matters.

1. I will be happy to discuss the course, your progress, or any other issues of interest to you on an individual basis. Please see me in class or call to set up an appointment.

2. Since I frequently call on individuals whose hands are not raised, you should let me know before the start of the class if some emergency has made it impossible for you to be prepared adequately for that class. This still affects your day's grade (by limiting your ability to contribute), but prevents embarrassment for us both.

3. Timely attendance at every class is very important. Please schedule other activities (e.g., job interviews) at times other than those during which MHR713 meets. In the event that you do have to miss a class during the semester, I would appreciate it if you would let me know in advance of that class. If you miss a class it is your responsibility to find out from your peers what materials were covered, what other assignments were made, and what items may have been distributed.

4. Group work is strongly encouraged for purposes of case preparation for classroom discussion and the group projects (among members of the group -- I will say more about group composition in the first weeks of class). The individual written assignments are individual assignments; discussion with others is not permitted.
Session 1 -- Introduction

Assignment:  ✔ Course syllabus.
            ✔ Alaska Gold Mine Case (to be distributed in class)

Session 2 -- Overview lecture on the elements and tools of strategic analysis

This will be an overview session on "strategy" along with a look at several of the strategy tools you may draw upon as a manager and as a student in this course. We will cover industry structure, levels of strategy (business, competitive), types of business strategies (differentiation, low-cost, hybrids), the value chain, and more. The objective of this session is to highlight when and where you may find them useful.

            ✔ Prahalad & Hamel, “The core competence of the corporation.”
            ✔ Coyne, Hall, Clifford, & Gorman. "Is Your Core Competence a Mirage?"

Hand in individual bios
Project Teams will be identified today
Sessions 3 & 4 -- Internal Analysis, External Analysis & Competitive Advantage

Before reading the assigned case please read the syllabus appendix, "Why we use the case method." The IBP case is your first full case and contains more than enough material for a lengthy discussion about the appropriate scope of the firm. It provides you with an opportunity to begin applying the value chain, concepts from the resource-based theory of the firm, and Porter's five forces analysis. Through this case you will come to understand the basic concepts of industry attractiveness and generic business-level strategy, and eventually to fully understand IBP's competitive position. You will then move on to grapple with the definition and benefits of broad scope in the U.S. Meat Industry. Finally, this case allows us to recommend a strategy that is built on the acquisition of new resources or distinctive competencies. You ultimate objective will be to articulate how IBP can build those resources.

Reading:
- ✓ Porter, Chapters 7 (231-238, 255-272) & 8 (273-279, 307-314)
- ✓ “Why We Use the Case Method,” Appendix 1, Course Syllabus

Case:
- ✓ IBP and the U.S. Meat Industry

Session 3 Preparation Questions:

1. What strategic issues does IBP face in 1990?
2. What do the core competence articles from the last session tell you about IBP's situation?
3. ★ What do the basic five forces analysis, value chain, and generic strategy help you to understand about IBP's position? What do they not explain? In your project groups, hand in a 1-2 page summary of the five forces facing IBP, a competitive assessment of its value chain, and summary of its generic strategy.

Session 4 Preparation Questions:

1. What should IBP do?.

★ Second group assignment due -- complete team assessment exercise.
Sessions 5 & 6 -- Thinking About Thinking About Strategy

The Copeland Corporation/Bain & Company video case addresses the renewal and sustainability of competitive advantage. We will emphasize that any such advantage is likely to be sustained only if management recognizes its bases, and works consciously to defend them. We will come to understand the critical features of sustainable advantages, discuss the contestability of such advantages, the effect of historical resource allocation decisions on subsequent choices, and solutions to management myopia. Importantly too, this case shows us the inner workings behind the competitive dynamics we see at the market and industry level.

Unlike the other cases we will study, Copeland/Bain is not a traditional written case "story." In a video we will view together in class, Bain & Co.'s 1989 consulting engagement for Copeland is profiled. Copeland is a division of Emerson Electric that manufactures compressors for air conditioning systems. In this video case, Copeland is considering making the largest capital investment in its history in a new technology, the scroll compressor. Before going to the Emerson Electric Board for final approval, they have hired Bain & Co., a management consulting firm, to assess whether Bain believes that it is prudent to make such an investment. You are asked to play the role of the consultants, and to design a process for answering what they view as the key strategic questions raised. Prior to class, review the written material provided on Copeland/Bain and use it to develop a preliminary response to the preparation questions.

Case:  
Case: \checkmark Copeland Corporation/Bain & Company: The Scroll Investment Decision.

Readings:  
\checkmark Hamel & Prahalad, “Strategic Intent.”  
\checkmark Porter, Chapters 5 (164-191, 198-200) & 6 (201-228)

Session 5 Preparation Questions:

1. What are the specific strategic issues facing Copeland management as they prepare to make a capacity decision for the scroll compressor?
2. What analytic techniques might you use to structure your thinking about the issues?
3. What questions remain to be answered?
4. What hypotheses can you develop concerning the answers to those questions?
5. What data do you need to test those hypotheses? How will you obtain it?
6. What should we be listening for during our interviews with the Copeland executives?

Major Group Assignment Outline Due

Session 6 Preparation Questions:

1. Building on the content of Session 6, address the critical unanswered questions, potential hypotheses, analytical techniques, and data pertinent to Copeland's situation. Prepare a one-page summary of your most important questions in the following tabular format (probably shouldn't list more than six well-reasoned questions).

<table>
<thead>
<tr>
<th>Unanswered Questions</th>
<th>Hypotheses</th>
<th>Applicable techniques</th>
<th>Needed Data</th>
</tr>
</thead>
</table>

9
Sessions 7 & 8 -- Economies of scope, scale & multi-point competition

You can imagine that the actions taken in the Copeland case resulted in some degree of industry change – as the dominant design of a key component was made obsolete by a product innovation. The pet food case that we cover next introduces other sources of industry-level change, and how players in the industry respond to and foment such change.

This case documents the turmoil within the pet food industry during the late 1980’s. After several years of relative tranquillity, the industry was suddenly disrupted in 1986 both by the impending sale of one of the industry’s smaller players, and by a fundamental shift in demand. As we work through the case we will see that, despite substantial changes, peace is nowhere in sight.

Specifically, this case provides you with an opportunity to (a) understand product scope economies between dry and canned goods; (b) determine if there is any value to geographic scope in this industry when one of the players is introducing global brands; (c) analyze multimarket competition in the context of related markets; and (d) review competitor analysis and prediction in a dynamic industry.

Reading:  ✓ Porter, Chapters 9 (317-326, 353-363), 14 (482-512) & 15 (513-536)

Case:  ✓ Cat Fight in the Pet Food Industry

Session 7 Preparation Questions:
1. Who is best positioned in the pet food industry in 1986? Why?
2. Is this industry stable in 1986? Who has staked out strong-holds? Where? How?
3. What should Ralston-Purina do? Is it threatened?
4. Who do you predict will bid for Anderson-Clayton? Why?
5. Who is likely to attack whom? Where? How?

Session 8 Preparation Questions:
1. ★ In your project groups identify who you expect to bid for Anderson-Clayton and why. Identify at least three compelling reasons supporting such an acquisition (i.e., why you would recommend such a purchase to your board of directors). How does this acquisition build, extend, or protect key success factors for competitive advantage in this industry. Hand in a one-page summary of your specific prediction (who acquires), including reference to the competitive dynamics, industry participant characteristics, and other factors that support your prediction.
Session 9 & 10 -- Creating New Markets

This case has already become one of the classic battles between an internet-based startup and a traditional retailer trying to leverage its resources and capabilities online. Amazon.com has, by the time of this case, already achieved significant sales volume and an even loftier stock market valuation. Barnes & Noble, which had tried through the 1990s to consolidate the traditional bookselling industry with its superstore format, must decide how to respond to Amazon. This case provides you an opportunity to (1) review positioning analysis -- the analysis of willingness-to-pay and of cost -- in the context of online retailing, a class of business models that has been heralded as being prototypical of the "new" economy, (2) discuss the substitution threat to sustainability posed by the online channel and the ways of responding to it, and (3) explore the sustainability of advantages in this new kind of business landscape from the perspective of online competitors.

Cases:  ✔ Leadership Online: Barnes & Noble vs. Amazon.com (A)

Readings:  ✔ Creating new market space
          ✔ Business Models for Electronic Markets

Session 9 Preparation Questions:

1. How is value created in the super store model? In the online model?

2. Based on your own experience with traditional bookselling and your exploration of online bookselling, compare your willingness-to-pay for books supplied by these two business models.

3. How does the online model figure in to "creating new market space."

Session 10 Readings:  ✔ Cannibalize Yourself
                      ✔ The Net Won't Transform Everything (on class web page)

Session 10 Preparation Questions:

1. Assess B&N's response to the substitution threat from Amazon. How did Amazon respond in turn, and to what net effect?

2. Compare the forecast long-run cost position of a successful online bookseller to B&N's traditional business model (assume that Exhibits 4 and 7 in the case reflect average discounts of 10% off list price for B&N's traditional bookstores and 25% off list for the online bookseller).

3. How attractive is this industry? What is the total market potential for selling books online?

4. Who will be the online leader? Is it worth the effort and cost, or will there be a "winner's curse."

5. Will Amazon ever make much money selling books (as opposed to selling stock)?
Session 11 - Present Major Group Assignments

A member of each team will make a short (5-7 minute) presentation summarizing the group's value creating analysis and acquisition recommendation. No readings or cases are assigned for this day.

Major Group Assignment Due

Session 12 -- Leveraging resources

This case traces the evolution of the personal computer industry over the last 20 years and uses this as a backdrop to look at how Dell Computer Corp. grew from a small start-up to a multi-billion-dollar company in a decade. Dell is now faced with a set of decisions on the product markets it needs to serve in order to sustain its growth profitably into the future. The case will give you an appreciation of developing strategy in a dynamic and rapidly evolving market. It will also refine your understanding of the concepts of strategy, stretch, and leverage.

Reading: ✓ Strategy as Stretch and Leverage  
✓ Gaining the Advantages of the Past

Case: ✓ Dell Computer Corporation

Preparation Questions:

1. How has the PC industry evolved over time? How did Dell get started in this business?
2. What is the Dell Direct Model? What are its advantages? Disadvantages? Limitations?
3. Why or why not do the notions of stretch and leverage apply to Dell?
4. Who are Dell's customers? Why do these customers buy from Dell?
5. What should Dell do regarding entry into laptops and servers? Who are Dell's main competitors? What about its two failures -- what went wrong? How are laptops and servers similar or different from desktops? Can the Direct Model be extended to laptops and servers?

How should Dell handle the international strategy? Is this a case of stretch, leverage, none, or both?
Session 13 -- Growth Through Acquisitions

One strategy often pursued is horizontal integration – the acquisition of firms in the same industry that are serving the same or related markets. As a result of such strategies industries tend to be consolidated – in fact, we often refer to management teams that pursue such strategies as consolidators! Witness, for example, Wayne Huizenga’s consolidation of the home video rental market via Blockbuster; he’s now replicating this strategy with used-auto dealerships. SCI is consolidating funeral homes, and “Chainsaw” Al Dunlap used Sunbeam as a vehicle to consolidate the home small appliance industry.

In the U.S. Office Products case, we follow the growth of another "consolidator" -- A firm that was created in 1994 in a "poof" transaction when 5 independent office supply companies merged to form the new entity. Growing almost entirely through its 182 acquisitions, USOP increased its revenues from $134 million in 1994 to 2.8 billion in 1997. Although office products and furniture sales to small and medium sized businesses remain the core of its business, USOP also acquired firms in the corporate travel, office coffee, computer consulting, school supply, printing, and school furniture markets, as well as the franchiser for Mail Boxes etc.

This case provides you an opportunity to: (a) detail the drivers of competitive advantage in an industry; and (b) address the question of the sustainability of growth through acquisitions.

Reading:  ✓ Porter, Chapter 11 (383-395)
           ✓ How to Make Mergers Work (The Economist)

Case:    ✓ U.S. Office Products

Preparation Questions:

1. What are the critical success factors for a company like USOP?
2. What process did USOP use to consolidate the office products industry? How is it similar or different to the processes other firms making numerous acquisitions in their industries use?

Individual Case Analysis Due
<table>
<thead>
<tr>
<th>SESSION</th>
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<th>CASE/READINGS/ASSIGNMENT</th>
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| 1       | Oct 31 | T  | Case: Alaska Gold Mine  
|         |        |                                            | Readings: Porter, Chapter 1                                      |
| 2       | Nov 02 | Th | Review of Strategic Analysis Tools  
|         |        |                                            | Readings: Porter, Chapters 1, 2, 3 & 4 (selections)  
|         |        |                                            | The core competence of the corporation  
|         |        |                                            | Is Your Core Competence a Mirage?                                |
| 3       | Nov 07 | T  | Case: IBP  
|         |        |                                            | Readings: Porter, Chapters 7 & 8  
|         |        |                                            | Why We Use the Case Method - Appendix 1                          |
|         |        |                                            | **Group Assignment - Five Forces, Value Chain, Generic Strategies** |
| 4       | Nov 09 | Th | Case: IBP  
|         |        |                                            | **Group Assignment - Team Assessment**                          |
| 5       | Nov 14 | T  | Case: Copeland/Bain  
|         |        |                                            | Porter, Chapters 5 & 6                                           |
|         |        |                                            | **Major Group Project Outline Due**                             |
| 6       | Nov 16 | Th | Case: Copeland/Bain  
|         |        |                                            | **Group Assignment - Predict Anderson-Clayton Acquirer**         |
| 7       | Nov 21 | T  | Case: Cat Fight in the Pet Food Industry  
|         |        |                                            | Readings: Porter, Chapters 9, 14 & 15                           |
| 8       | Nov 28 | Th | Case: Cat Fight in the Pet Food Industry  
|         |        |                                            | **Group Assignment - Predict Anderson-Clayton Acquirer**         |
| 9       | Nov 30 | T  | Case: Barnes & Noble vs. Amazon.com  
|         |        |                                            | Readings: Creating New Market Space  
|         |        |                                            | Business Models for Electronic Markets                           |
| 10      | Dec 05 | Th | Case: Barnes & Noble vs. Amazon.com  
|         |        |                                            | Readings: Cannibalize Yourself  
|         |        |                                            | The Net Won't Transform Everything                               |
| 11      | Dec 07 | T  | Present Group Projects  
<p>|         |        |                                            | <strong>Major Group Assignment Due</strong>                                   |</p>
<table>
<thead>
<tr>
<th>Date</th>
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<th>Readings</th>
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<tr>
<td>12 Dec</td>
<td>Th</td>
<td>Dell Computer Corporation&lt;br&gt;Readings: Gaining Advantages of the Past&lt;br&gt;Strategy as Stretch and Leverage</td>
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<tr>
<td>13 Dec</td>
<td>T</td>
<td>Case: U.S. Office Products&lt;br&gt;Readings: Porter, Chapter 11&lt;br&gt;How to Make Mergers Work</td>
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**Major Individual Project Due**
Appendix 1

Why We Use the Case Method

The case method is one of the most effective means of management education. It is widely used in schools of business and major corporations throughout the world. This use is predicated upon the belief that tackling real business problems is the best way to develop practitioners. Real problems are messy, complex, and very interesting.

Unlike other pedagogical techniques, many of which make you the recipient of large amounts of information but do not require its use, the case method requires you to be an active participant in the closest thing to the real situation. It is a way of gaining a great deal of experience without spending a lot of time. It is also a way to learn a great deal about how certain businesses operate, and how managers manage. There are few programmable, textbook solutions to the kinds of problems faced by real general managers. When a problem becomes programmable, the general manager gives it to someone else to solve on a repeated basis using the guidelines he or she has set down. Thus the case situations that we will face will require the use of analytical tools and the application of your personal judgment.

Sources of Cases

All the cases in this course are about real companies. You will recognize many of the names of the companies, although some of them may be new to you. These cases were developed in several different ways. Occasionally, a company will come to a business school professor and request that a case be written on that company. In other situations, a professor will seek out a company because he or she knows that the company is in an interesting or difficult situation. Often, the company will agree to allow a case to be written. Occasionally, cases will be written solely from public sources. This is perhaps the most difficult type of case writing because of the lack of primary data sources.

In those situations where a company has agreed to have a case written, the company must "release" the case. This means that they have final approval of the content of a given case. The company and the case writer are thus protected from any possibility of releasing data that might be competitively or personally sensitive. Public source cases, obviously, do not need a release. Given the requirement for release, however, it is amazing the amount of information that companies will allow to be placed in a case. Many companies do this because of their belief in the effectiveness of the case method.

Preparing for Class

When you prepare for class, it is recommended that you plan on reading the case at least three times. The first reading should be a quick run-through of the text in the case. It should give you a feeling for what the case is about and the types of data that are contained in the case. For example, you will want to differentiate between facts and opinions that may be expressed. In every industry, there is a certain amount of "conventional wisdom" that may or may not reflect the truth. On your second reading you should read in more depth. Many people like to underline or otherwise mark up their cases to pick out important points that they know will be needed later. Your major effort on a second reading should be to understand the business and the situation. You should ask yourself questions like: (1) Why has this company survived? (2) How does this business work? (3) What are the economics of this business?

On your second reading, you should carefully examine the exhibits in the case. It is generally true that the case writer has put the exhibit there for a purpose. It contains some information that will be useful to you in analyzing the situation. Ask yourself what the information is when you study each exhibit. You will often find that you will need to apply
some analytical technique (for example, ratio analysis, growth rate analysis, etc.) to the exhibit in order to benefit from the information in the raw data.

On your third reading, you should have a good idea of the fundamentals of the case. Now you will be searching to understand the specific situation. You will want to get at the root causes of problems and gather data from the case that will allow you to make specific action recommendations. Before the third reading, you may want to review the assignment questions in the course description. It is during and after the third reading that you should be able to prepare your outlined answers to the assignment questions.

There is only one secret to good case teaching and that is good preparation on the part of the participants. Since the course has been designed to "build" as it progresses, class attendance is also very important.

**Class Discussions**

In each class, we will ask one or several people to lead off the discussion. If you have prepared the case, and are capable of answering the assignment question, you should have no difficulty with this lead-off assignment. An effective lead-off can do a great deal to enhance a class discussion. It sets a tone for the class that allows that class to probe more deeply into the issues of the case.

The instructor's role in the class discussion is to help, through intensive questioning, to develop your ideas. This use of the Socratic method has proved to be an effective way to develop thinking capability in individuals. The instructor's primary role is to manage the class process and to insure that the class achieves an understanding of the case situation. There is no single correct solution to any of these problems. There are, however, a lot of wrong solutions. Therefore, we will try to come up with a solution that will enable us to deal effectively with the problems presented in the case.

After the individual lead-off presentation, the discussion will be opened to the remainder of the group. It is during this time that you will have an opportunity to present and develop your ideas about the way the situation should be handled. It will be important for you to relate your ideas to the case situation and to the ideas of others as they are presented in the class. The instructor's role is to help you do this.

**The Use of Extra or Post-Case Data**

You are encouraged to deal with the case as it is presented. You should put yourself in the position of the general manager involved in the situation and look at the situation through his or her eyes. Part of the unique job of being a general manager is that many of your problems are dilemmas. There is no way to come out a winner on all counts. Although additional data might be interesting or useful, the "Monday morning quarterback" syndrome is not an effective way to learn about strategic management. Therefore, you are strongly discouraged from acquiring or using extra- or post-case data.

Some case method purists argue that a class should never be told what actually happened in a situation. Each person should leave the classroom situation with his or her plan for solving the problem, and none should be falsely legitimized. The outcome of a situation may not reflect what is, or is not, a good solution. You must remember that because a company did something different from your recommendations and was successful or unsuccessful, this is not an indication of the value of your approach. It is, however, interesting and occasionally useful to know what actually occurred. Therefore, whenever possible, we will tell you what happened to a company since the time of the case, but you should draw your own conclusions from that.
Appendix 2

Format for the Executive Briefing:
Individual and Group Written Assignments

Your individual and group assignments should follow the following format:

1. **Overview**
   a. **Key Information.** An executive briefing generally has three parts: 1) State the problem briefly, 2) cover major points from analysis that lead to your conclusion, and 3) list the action steps recommended.
   
   b. **Format.** Use a bullet format and be as concise as possible.
   
   c. **Sell.** You must tell the CEO why the report is important or she or he will never get beyond the 1st page. You should tell the reader exactly what you will be doing so that the sections flow.

2. **Analysis**
   a. **Little or no background.** The executive team does not need this. Try to imagine your client reading generic background on their own company.
   
   b. **Overarching Framework.** Some problems involve complex analyses (e.g., value creation strategies, acquisition processes, organizational control, etc.). If so, you should probably outline your analysis using the appropriate framework. This will help the paper flow smoothly and make sure you cover your bases. However, if aspects of the framework do not apply, you should say so briefly and move on – again, don’t waste the CEO’s time.
   
   c. **Format.** USE NO MORE THAN THREE PAGES FOR THE GROUP PROJECT AND TWO PAGES FOR THE INDIVIDUAL ANALYSIS. Use side and center headers generously so your thoughts are easy to follow. Use normal 1 inch margins and fonts not less than 11 points (executives need to read it too!).

3. **Recommendations**
   A. **Benefits and Barriers.** You should present the benefits & barriers for each recommendation and then follow through with action steps. The examples on the web page illustrate how to accomplish this concisely.
   
   B. **Next steps.** You are used to analyzing cases to identify "what they did wrong." Here your recommendations should examine what to do now (at the end of the case) and not what they should have done.

**Grading:** On the subjective side, your grade on each exercise will reflect the content of your analysis, the logic of your analysis, and depth (not length) of your recommendations. The best executive summaries show proof of grasp and are not simply a regurgitation of case facts or generic recommendations. Objectively, your grade will suffer if: (1) you hand in the assignment late, (2) you do not use the Executive Briefing Format, (3) you exceed three (two) pages, or (4) you email me your assignment. PLAN FOR CONTINGENCIES!!!
Appendix 3

Six Steps to Solving Free Rider Problems

As your group meets for the first few times, you will begin setting norms of group behavior. This includes norms for performance, norms for sharing the work, norms for dealing with conflict, norms for attending meetings, and norms for how to treat others’ ideas. In other words, the first few meetings are crucial for establishing how your group will work throughout the semester. Here are a few ideas to help you head off and/or deal with free rider problems.

1. Discuss Your Goals for the Group. Most groups do not have an initial discussion about what they want to accomplish. Rather, they become very task-oriented and do not examine the bigger picture. Take the time to think about your expectations and listen to others’.

2. Consider Your Performance Appraisal System Carefully. If you are interested, I give you the option to apply a peer appraisal system to your group. Each member rates all other members. The average of peer ratings can raise or lower an individual's group portion of the grade by up to ½ grade. This appraisal is a zero-sum exercise -- all members of the group cannot get grades above the group grade.

   Example: At the end of the semester each person will complete a worksheet to allocate points to all other members. The following example illustrates the process for a group with 4 members with an average of A/B:

   • The rater allocates a total pool of points to all other members. The points to be allocated equals 10*(group size-1). In a group of four, each member would have 30 points to allocate to the others.

   • Each member allocates so that major contributors get more points while others get fewer. The following example illustrates what the results might look like:

<table>
<thead>
<tr>
<th>Raters</th>
<th>Members</th>
<th>Total Allocated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Anne</td>
<td>Bill</td>
</tr>
<tr>
<td>Anne</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td>Bill</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>David</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Connie</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>Average</td>
<td>15.67</td>
<td>10.00</td>
</tr>
<tr>
<td>Initial Grade</td>
<td>A/B</td>
<td>A/B</td>
</tr>
<tr>
<td>Adj. Group Grade</td>
<td>A</td>
<td>A/B</td>
</tr>
</tbody>
</table>

3. Assess Your Temperament and Attitude Toward Building Effective Work Teams. Because your group is a "high performance, self-directed team," each member has
responsibility for building and maintaining it. Your first group exercise involves taking
three surveys on team building, and sharing the results with your colleagues. These
surveys can be found at:

http://www.keirsey.com/cgi-bin/keirsey/newkts.cgi
http://www.cl.uh.edu/edu/awl/survey/toler.html
http://www.cl.uh.edu/edu/awl/survey/locus.html

4. Discuss Your Schedules Early. If one or more people have major commitments at one or
more points during the semester (interviews, UW games, hot dates, etc.), you may want
to assign roles accordingly. That way, they can pull their weight but distribute the work
in a way that fits with their schedules.

5. Discuss How to Use Each Person’s Skills. Team members bring different skills to the
table. However, there is room for everyone to contribute if you manage the process.
Particularly when one or more group members are not native English speakers, you may
need to discuss how to utilize their skills. Be careful not to interpret shyness as laziness.
If English was your second language, you would probably be a bit self-conscious.

6. Internal Feedback System. Your group can establish a written or verbal feedback system
after each case. You can rate each others’ input (much like the peer appraisal system).
Also, rather than rating individuals, you can rate the group’s performance (the grade is
only one measure of performance). You can follow both systems with an open
discussion about how to do things differently next time.

7. Win-Win Confrontation. If you think that someone is not contributing, do not assume
that they are shirking intentionally. This is a knee-jerk reaction most people have in
attributing fault. That sets you up for an unpleasant confrontation that may be based on
an incorrect assumption. Start by assuming that they want to become more involved but
are shy or don’t know how they can contribute. If you start with this assumption, you
may find that the person is willing to work with you to forge a more productive role.
You may also find that you were wrong about the lack of effort on their part.