

EC405: Business Policy and Strategy

Block 2 – Fall 2014

Colorado College

Van Skilling

Executive-in-residence

bignornvan@aol.com

760.408.8309

Palmer 101-G

Jim Parco

Associate Professor

jim@parco.cc

719.389.6416

Palmer 101-C

Class location: Palmer 230

Class Hours: 9:15am-12:30 p.m. (Monday – Friday)
Afternoon/evening sessions as per announcements in class.

Office Hours: We can meet most anytime in the afternoon, by appointment only.
Time is money.

DEPARTMENT OF ECONOMICS AND BUSINESS MISSION STATEMENT

We engage exceptional students
who think critically, analytically and creatively,
with intellectual competence and confidence,
by leveraging the advantages of the Block Plan
and drawing on the art and science of the discipline,
at home and abroad,
for now and for life.

Our students can:

COMMUNICATE EFFECTIVELY

-  Write effectively
-  Speak and present effectively
-  Use the language of economics and business accurately and persuasively

FRAME AND RESOLVE PROBLEMS

-  Apply relevant knowledge creatively
-  Appreciate the complexity of multiple perspectives
-  Engage ambiguous contexts

ANALYZE DATA

-  Interpret evidence in a reason-based approach
-  Generate insightful analysis in a theoretical context

WORK INDEPENDENTLY

-  Demonstrate initiative and perseverance
-  Manage projects effectively

NOTE: This course addresses all of the above goals in some fashion.

COURSE DESCRIPTION:

This course focuses on the work of general managers who have responsibility for firms or the business units of multi-business firms. We will study how general managers create competitive advantage, the reason some firms and businesses enjoy higher performance than their rivals. We will examine many contemporary business issues, but we cannot anticipate all of the issues businesses will confront in the years ahead. Our objective, therefore, is to help you develop ways of thinking and learning that will make you an effective business leader throughout your career. By the end of the course, you should know and understand:

- The factors that influence managerial decision making and how organizational strategies emerge as a pattern in a stream of decisions
- The key frameworks for analyzing industry environments and assessing organizational capabilities
- The bases of competitive advantage
- The importance of organizational structure and culture
- The formulation and implementation of corporate strategy, and key issues in business diversification, mergers, and acquisitions
- The need for business organizations to anticipate and respond to change

Our focus will be on the work of general managers, but most of you will begin business careers in entry-level positions in finance, marketing, or operations. Nevertheless, the concepts, frameworks, and models introduced in this course should give you an appreciation for how your functional role is an integral part of the organization's mission. The course should also augment your business vocabulary and improve your ability to think, write, and speak analytically and persuasively. These practical skills will enhance your potential for making meaningful contributions at the firms and organizations where you choose to work.

Prerequisites: You must have successfully completed all three principles courses: Principles of Microeconomics, Principles of Macroeconomics and the Principles of Financial Accounting (or their equivalents as approved by the instructors) to enroll in this class. Please speak to the instructors immediately if you are uncertain of your status.

TEXT AND MATERIALS

All cases and readings have been published in a customized course pack from Harvard Business School Publishing. There are no other texts for the course and all students are expected purchase it directly. The approximate cost is \$125. Included in this package is access to the Case Analysis Coach. To purchase, visit <https://cb.hbsp.harvard.edu/cbmp/access/28123240>. The final exam will cover all of this material. We reserve the right to add, change or remove readings as the course progresses.

COURSE ADMINISTRATION

Class meeting time and location: All class meetings will be in the assigned classroom in Palmer Hall (see first page for room number). We will meet from 9:15am-12:30pm daily throughout the course unless otherwise stated.

Class meetings will serve as a forum for discussing reading assignments, applying management frameworks and models, and analyzing cases and important business issues. The visiting executives who will work with us throughout the block will also give you a special opportunity to interact with successful leaders, and you are encouraged to take full advantage of this opportunity by engaging these visitors with your questions. To enhance classroom discussion and to give you practice at applying course concepts and frameworks, we will be giving you sets of discussion questions for you to consider as you read and prepare for the next day's class. We will then ask you to present your analysis or point of view so that we can assess your understanding of concepts and frameworks as well as the level of your engagement in the class.

You can also enhance the quality of our classroom discussions by regularly reading newspaper and business magazine stories and sharing with the rest of the class the substance of articles that are related to course topics. We will welcome (and reward) this kind of active participation in the course.

Performance evaluation: Grades will be assigned on the basis of your performance on the following evaluation vehicles: Your grade in this course will consist of:

| | |
|---|-------------|
| Case write-up (your choice) | 15% |
| Participation (daily) | 25% |
| Industry Analysis Project (Day 10) | 20% |
| Individual presentation on project of choice (Days 16-17) | 20% |
| <u>Oral Exam (Day 18)</u> | <u>20%</u> |
| Total | 100% |

College policy states that grades of "A" are reserved for "excellent work that reflects superior understanding and insight, creativity, and skill;" grades of "B" are assigned to "good work that reflects a high level of understanding and insight, creativity, or skill;" grades of "C" are assigned to "adequate work that indicates readiness to continue study in the field;" and grades of "D" are assigned to "marginal work, only minimally adequate." In general, letter grades will be based on a curve (not on a 90/80/70 contract). Although there is no desired target or "correct" distribution of grades, students that are well-prepared, engage each other in thoughtful dialogue during class meetings and demonstrate an intellectual curiosity about the material typically receive "A"s and "B"s. Late work or missed assignments will typically receive no credit.

General class expectations: It is our expectation that you will come to class each day having read the material assigned for that day in advance of the class meeting and completed any assigned homework. This will facilitate both your understanding and our class discussion of the material. Late assignments will not be accepted except in cases of illness or prior arrangement with the instructor(s).

*The difference between desire and commitment is profound.
It's the difference between being in the game or watching it from the stands.*

Participation. Regular class attendance is a necessary but insufficient condition for successful completion of this course. You will receive a daily grade determined after class, jointly by the professors, based on your engagement. Merely attending class isn't enough. You will be expected to have accomplished all readings and assignments prior to class starting, and during class, to thoughtfully and respectively engage with others in the class on the day's topic. Note that we aren't counting the number of words you say. Being engaged and talking are not always the same thing. We will be evaluating the quality of your comments and reflections above all else.

Class Groups. On the first day of class, you will be divided into equal size groups. Each each group will select an industry, and within each industry group, each student will select a publicly-traded company within that industry. You will work in this group for Industry Analysis Project due on Day 10.

Industry Analysis Project (has both group and individual components). The aim of the industry analysis project is to reinforce your understanding of key course concepts during the first half of the course, including industry analysis, generic strategies, competitive advantage, and associated tools for analyzing competitive advantage (such as the value chain). The project gives you the opportunity to apply many of the frameworks, models, and theories developed from class readings and discussions while examining the strategic management of business firms.

Think of yourselves as management consultants who have been hired to perform this analysis by the CEO of a company within this industry. Is this a good industry to be in? What are the growth prospects? Should the CEO's company expand?

The assignment has two components.

The first component is a group component and should involve all members of your team. In this component, you should analyze an industry of your choosing using one or both of the industry analysis tools we have covered in class (the external components of the SWOT model and/or Porter's Five Forces Model). At the end of your group's analysis, you should conclude whether or not the industry is attractive or unattractive and provide convincing evidence. This section should be no longer than two single-spaced pages, though you can include additional pages of exhibits.

The second component of the assignment is an individual component. In this component, each team member should evaluate his/her company within the industry. The analysis should explain why the firm out-performs or under-performs the industry (i.e., why does Southwest outperform other firms in the airline industry?) and explain why the firm does or does not enjoy a competitive advantage. The analysis should incorporate the tools and frameworks we have discussed in class (such as the internal components of the SWOT model, generic strategies, the value chain, core competencies, and the criteria for achieving and sustaining a competitive advantage). Each individual company analysis should be no more than one single-spaced page, though you can include additional pages of exhibits. NOTE: In business communications, completeness, accuracy, good grammar and spelling are important, but wordiness is not appreciated.

The project will be due on the second Friday (Day 10) of the class. The following checklist is provided to offer you some guidance on completing the industry analysis project. The checklist will also be the basis for assigning grades, so plan to complete the checklist before submitting the project.

_____ The project should be neat in appearance (though you do not need to use fancy binders or folders), it should be completely free of grammatical and typographical errors. Use page numbers. All direct quotations appearing in the paper and any references used in preparing the paper are cited in footnotes.

_____ The paper states whether the industry is attractive (profitable) or unattractive (unprofitable), and uses industry analysis tools to support your conclusion about whether the industry is attractive or unattractive. The industry analysis is well organized, well researched, and insightful (i.e., conclusions are well supported by facts or details, section headings have been used to guide readers through the analysis, etc.).

_____ Individual company analyses should clearly describe what type of generic strategy the company

is pursuing (i.e., cost leadership, differentiation, focus cost leadership, focus differentiation, stuck in the middle, etc.) This conclusion should be well defended. The individual company analysis should state whether the company has a competitive advantage. Assessments of the individual companies should be well defended. One way to do this is to use the value chain or some of the other frameworks or analysis tools we have discussed in class.

Case Write-up: You will individually prepare a written analysis of any *one* of the assigned cases during the first three weeks of the course, to allow you to better manage your workload to fit your schedule. Which case you choose is up to you. Your written analysis should be no longer than 1500 words plus any exhibits, tables and figures which you may attach. The case must be handed in PRIOR TO THE START OF CLASS for it to count. You will especially be expected to be a discussion leader that day to share your thoughts with others in class. Your primary goal for this assignment should be to think very carefully of what you want to communicate and do so succinctly as possible, both in writing and orally.

Please know that there is rarely any one “right” answer when engaging in a case analysis. The key to a good case analysis is to carefully analyze the situation, apply relevant conceptual materials, and evaluate possible courses of action before selecting your own recommendations. Although each case is unique and may require a different approach and analysis, any good case write-up should include the following elements:

- (1) An assessment of the current situation of the firm. This includes the environment in which the firm operates (the industry) and the competitive situation and strategies of the firm, including its financial results, with the objective of identifying the key issues that must be addressed. This is not a case summary, but rather your personal evaluation and/or critique of the situation using the relevant tools mentioned in the readings and class presentations/discussions. This is likely to include both qualitative and quantitative assessment.
- (2) A description of the alternatives to address the issues identified, followed by detailed recommendations. This is a very important – and potentially the most difficult – part of the case analysis. The search for alternatives must be broad and should consider significant redirection, reorganization or disposition of parts or all of the business. Also, changes in business and competitive strategies are expected here. Be specific in your recommended solutions, including describing the (new or modified) strategies, financial objectives, and implementation plan. Don't think you can look at an eBay case and then search to find out what Meg Whitman did, and use that as your analysis. This exercise is not about what WAS done (good, bad or otherwise), but rather as the CEO, what YOU would do and why.

Independent Project of Choice/Presentation. The aim of this course project is to reinforce your understanding of course concepts by providing you with an opportunity to apply the frameworks, models, and theories developed from class readings and discussions while examining the strategic management of a business firm or key issues facing all firms in an industry.

This course project should examine a topic and concept covered in this course and it should focus on a particular firm or industry. You may work in your industry analysis groups, or you may form new groups, or work by yourself. In the past students have sometimes been able to use this research to assist with their theses. It is up to you. Your grade (a group grade) will be based on a presentation you will make on either Day 16 or Day 17. Every person will be required to speak for no less than five and no more than ten minutes. If you have three people in your group, you will be expected to have a 15-30 minute presentation with each person speaking equally. If you do the project by yourself, you will be expected to speak at least 15-30 minutes by yourself. Please plan to discuss your project idea with Van or Jim and obtain approval (and suggestions) from them as early in the course as possible. You should

plan to provide them with an electronic final draft of any presentation slides you will be presenting no later than 8pm on Sunday evening before Day 16 by uploading it to CANVAS. Bringing a hardcopy to class would also be appreciated.

The following checklist is provided to offer you some guidance on completing the course project. The checklist will also be the basis for assigning grades.

_____ Project deals with a topic covered in the course and examines an actual firm or industry.

_____ Project has a clear statement of its objective(s) that is stated at the outset of the presentation.

_____ Presentation is well organized, reflects careful research, and is developed logically and in a way that is consistent with the overall objective(s).

_____ Presentation integrates and demonstrates mastery of concepts, frameworks, models, and theories presented in readings and discussed in class. In other words, presentation must not only cite course readings and other materials, but these materials must be carefully woven into the presentation to support key arguments.

_____ Presentation offers insight, suggesting that your analysis offers some significant “value-added.” One way to do this is to offer an intriguing (and doable) recommendation or set of recommendations. Evidence of insight is a key characteristic of “A” presentations.

_____ Presentation is professionally done and demonstrates evidence of significant rehearsal.

Oral Exam: The final exam is scheduled for the final day of the class (Day 18). It will be comprehensive and cover all theories, readings and experiences in the course.

Prior to the exam, you will be provided with two topic lists. List #1 will contain themes, concepts and models from the course readings. List #2 will contain all of the cases covered in the course. On the exam day, you will randomly select two topics from List #1 and two cases from List #2. You will then provide an explanation of how the items from List #1 apply (or don't apply) to the cases selected. You will be graded on the accuracy, creativity, breadth and depth of your answer. Your peers will also be able to comment to help you, and in doing so, improve everyone's evaluation. More details will be provided prior to the exam.

You will take the oral exam during a preassigned 1-hour blocks (beginning at 8am) with three others from class (determined by the professors). After you answer your question, others will be called on to comment. Likewise, after they answer their question, you will be asked to comment on their answer. All comments will be graded by the professors. You will provide a grade input of your answers as well as your peers' answers. All inputs will be considered in the final grade. Comments will be provided, as requested, after the conclusion of the course on Wednesday (Day 18) at noon.

There will be no make-up oral exam. If for any reason you miss the exam, you will be required to address all topics with a (new) case chosen by the professors.

MISCELLANEOUS COURSE POLICIES

Honor Code: It should go without saying that the Honor Code firmly applies to all activities within this course. The only way in which we can all grow as scholars is to rely on each other's integrity and responsible behavior. Please help each other to preserve the strength of the Honor Code. If you are uncertain about whether your behavior conforms, ask. The general rule is simple: always cite your sources. On the written exam, no outside sources are permitted. For homework and other projects that involve research beforehand, all sources are permitted with appropriate attribution.

The Honor System encompasses the student body, the Honor Council, and the Honor Code to form an essential part of the academic program at Colorado College. Its purpose is to help recognize each student's maturity and individual ability. Accordingly, the Honor System provides an atmosphere of mutual trust that contributes to students' personal growth and academic development. The spirit of this constitution and the principles it embodies are intended to provide a foundation for a personal ethical code that will continue long after graduation from Colorado College.

Every Colorado College student is responsible for obtaining a working knowledge of all rules and regulations of the Honor System and for understanding this constitution and other materials describing the Honor System. Also, the student is obliged to know how the principles apply in each class. Ignorance of the principles embodied in this constitution and of the way in which they apply in a particular class will be no excuse for a violation of the Honor System.

General Guidelines

THESE GENERAL GUIDELINES ARE ONLY A BRIEF SUMMARY OF THE HONOR SYSTEM. EVERY STUDENT IS EXPECTED TO BECOME FAMILIAR WITH THE DETAILS OF THE CONSTITUTION, WHICH FOLLOWS THESE GENERAL GUIDELINES.

1. The Honor System applies to all work done for credit — exams, papers, laboratory reports, daily assignments, and any other assigned work. Unless the professor specifically states otherwise, work done on all tests and assignments shall be entirely the student's own.
2. In papers, direct quotations must be acknowledged by quotes and footnotes. Ideas or paraphrasing taken from outside sources (including course textbooks) must be properly acknowledged, unless the professor specifically states otherwise. In oral reports, verbal acknowledgment of sources is usually sufficient.
3. Exams must be taken at the place and within the time limits designated by the professor. Except as otherwise stated in this constitution, each professor has the right to set such exam and term paper guidelines as the professor deems appropriate.
4. A student's work may not be submitted for simultaneous credit in two different classes without the explicit permission of both professors. Replications of one's own earlier work may be submitted for subsequent credit only with the explicit permission of the professor to whom the work is now being submitted.
5. An attempt to violate the Honor System, which is not completed because the student is observed in the attempt, will be considered a full violation.

6. A student or professor reporting a suspected violation will remain anonymous to everyone except the Honor Council. If the case is appealed, the identity of the accuser will also be revealed to an appeal board consisting of five (5) randomly selected students pledged to confidentiality.

By posting any assignment to CANVAS for this course, you are acknowledging that, on your honor, you have neither given nor received any unauthorized aid on the respective graded assignment.

Disabilities: If you require accommodations for this course, whether for learning, religious/cultural or co-curricular activity reasons, please speak with the instructor as soon as possible so that your needs may be appropriately met. If you have not already done so, you will need to register with Disability Services in the Learning Commons at Tutt Library (Rm 152, 227-8285). This is the CC office responsible for coordinating accommodations and services for students with disabilities.

Final Note: This class is scheduled to meet regularly (read: daily) through Day 18 of the course at noon. Please don't ask permission to miss class or leave early. Life is about choices, and choices have consequences. Since both the choices and consequences are exclusively yours, it is only a decision you can make. Generally speaking, missing a single class can reduce your final grade by a full letter grade. If you miss more than three classes, you can be dropped from the course, IAW college policy.

*There are two ten-hour workdays in every 24-hour period with four hours for sleep.
Lack of time is never an excuse, and almost anyone will believe it.*

DAILY TOPICS, GUESTS, READINGS, CASES AND ASSIGNMENTS

| Class | Day/Time | Topic | Guest(s) | Readings | Case/Assignment Due |
|-------|--|--|-----------------------------------|---|---|
| 1 | Mon, Sep 29 9:00am-11:00am | Intro and Overview | | Crafting Strategy CC Strategic Plan | Case Analysis Coach |
| 2 | Tues, Sep 30 9:15am-12:30pm | Strategic Planning | Jill Tiefenthaler | SWOT Analysis I SWOT Analysis II Ram's 6 Questions | Starbucks |
| 3 | Wed, Oct 1 9:15am-12:30pm | Core Competencies | Adam Press | The Core Competence of the Corporation Still Crazy Fly Me to the Moon with a Stop in Dubai | SouthWest Airlines |
| 4 | Thurs, Oct 2 9:15am-12:30pm | Industry Analysis | Adam Press | The Five Competitive Forces That Shape Strategy Models: Environmental Analysis & Porters 5 Forces | Tesla |
| 5 | Fri, Oct 3 9:15am-12:30pm | Competitive Advantage | Adam Press | Creating Competitive Advantage Business Strategy (chapter) | Samsung |
| 6 | Mon, Oct 6 9:15am-12:30pm | Industry Dynamics | David Harding | McKinsey | |
| 7 | Tues, Oct 7 9:15am-12:30pm | Sustainability as a Corporate Strategy | | Strategy and Society | WalMart: Earth, Love |
| 8 | Wed, Oct 8 9:15am-12:30pm | Vision and Values | | Profiles of Trust | Johnson & Johnson |
| 9 | Thurs, Oct 9 9:15am-12:30pm | International Strategy | | KFC's Radical Approach to China Business Week (J&J) | WalMart in China |
| 10 | Fri, Oct 10 9:15am-12:30pm | Disruptive Technology | Adam Farver | Meeting the Challenge of Disruptive Technology Big Bang Disruption | Kodak INDUSTRY ANALYSIS PROJECT DUE |
| 11 | Mon, Oct 13 8:30am-2:30pm | Ethics & Governance | | What Makes Great Boards Great Exercise: Ancient Tale | Tyco |
| 12 | Tues, Oct 14 8:00am-2:30pm FIELD TRIP | Industry Evolution | | The Future of Shopping Why Walmart Thinks Smaller is Better | Trader Joe's |
| 13 | Wed, Oct 15 9:15am-12:30pm | Innovation | Sue Allon | Curveball | Murrayhill |
| 14 | Thurs, Oct 16 9:15am-12:30pm | Affecting Change | | How to Implement a New Strategy Transient Advantage | Google |

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|----|-------------------------------|---------------------|--|---|------------------------------------|
| 15 | Fri, Oct 17 9:15am-12:30pm | Review Day | | Marissa's Moment of Truth Google v. Facebook Final exam to be handed out at the conclusion of class | Apple, Google, Amazon and Facebook |
| 16 | Mon, Oct 20 9:15am-3pm | Final presentations | | | |
| 17 | Tues, Oct 21 9:15am-done | Final presentations | | | |
| 18 | Wed, Oct 22 9:15am-12:00pm | Oral Exam | | | |