

SYLLABUS
BUS 401: STRATEGIC MANAGEMENT
Orfalea College of Business, Cal Poly
Winter Quarter 2014

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Student Hours: M/W 3 - 4pm, or by appointment

COURSE INTRODUCTION

This course examines how firms gain a sustainable competitive advantage. To be successful, the firm's strategy must permeate all departments and functional areas. As such, this course integrates knowledge and skills gained from your studies in the functional areas of business (e.g., marketing, organizational behavior, finance, accounting...). In drawing on these tools, we explicitly apply a *general management* point of view – we will analyze decisions and strategies in light of the *total enterprise*. We will also spend a fair amount of time on corporate strategy – how do firms create value with multiple business units. These issues will help you understand and cope with issues you will face in the business world. By the end of the quarter, you will be able to exhibit the learning objectives of the course:

1. Analyze industry structure and environmental trends to assess industry potential;
2. Assess a firm's resources for their potential to generate a competitive advantage;
3. Explain how firms can add value across diverse lines of business;

Most of your other classes do not examine a corporate environment (e.g., creating value across business units). Rather, they tend to adopt a functional perspective within a given line of business. Given that many of you will be working in a corporate environment at some point, you should have a basic understanding of how these types of enterprises function. In fact, not only will this course material help you understand your future work environment, it may actually help you land a job!

COURSE MATERIALS

Harvard Cases & Readings Packet, available through the Harvard website at the following link: <http://bit.ly/1awJbj4>
REQUIRED

Strategic Management and Competitive Advantage, Barney, Jay B., & Hesterly, William S. (2011) Fourth Edition*, available at El Corral Bookstore. ISBN: **0132546345 REQUIRED**

**students may substitute other editions of the text*

STUDENT ACCOUNTABILITIES

Complete All Assigned Readings Before Class. Students must come prepared to contribute to class discussion, debate, and case analysis. You will get the most out of this class and your team meetings if you read and study the class materials before each class. This includes completing the case discussion questions as well as any graded assignments for each case.

Actively Contribute to Class Discussion. Your responsibilities for participating in class include but are not limited to: active listening, making thoughtful contributions, answering questions posed to you, participating in discussions of case material with your team, and participating in class activities. Treating your colleagues with respect is also key to participating effectively.

Complete Assignments as Assigned and as Scheduled. Unless you have a University approved excuse, projects and assignments are due on the assigned date. Late submissions will not be accepted.

COURSE GRADE BREAKDOWN

<u>Assignment</u>	<u>Weight</u>	<u>Responsibility</u>	<u>Due Date</u>
Class Participation	35%	Individual	Evaluated over entire course
Case Calculation Assignments	15%	Team	See Course schedule at end of syllabus
eHarmony Individual Analysis Paper	5%	Individual	
Strategic Analysis Paper	20%	Team	
Presentation of Strategic Analysis	10%	Team	
Final Exam	15%	Individual	On Final Exam date

Class participation

I will record participation in each class. Group interaction is critical to learning how to think strategically, and the most important group interaction occurs during our discussions in class. Meaningful participation requires that you are prepared to discuss the cases. It also requires you to make a contribution to our discussion, not just talk, repeat case facts or simply agree with what others have already said. In this course, we all learn from each other. Thus, we are each responsible for making contributions to the class's effort to analyze a case and gain a critical perspective on the issues confronting the company in question. How well you contribute to this group process forms the basis of your participation grade.

In my class, I require that every student have a voice. Everyday. Effective participation is accomplished by focused comments that develop insights that are not immediately discernible from the cases or readings and demonstrate mastery of reading and case materials. One of the best ways to contribute is to voice your concerns when you disagree (with either me or other students). I am especially looking for discussion that shows how a particular concept is illustrated in the case or how substantive problems presented in the case can be addressed. In short, good comments are based either on theory or data. **Quality, not quantity, is emphasized in your participation score, reflecting my preference for a high insight to word ratio (i.e. a high quantity of quality comments is better than a low quantity of quality comments).**

Please, **don't confuse attendance with participation!** While showing up is half the battle, you cannot just sit in class for the whole quarter and offer nothing at all. In a firm, people who don't show up prepared not only risk their own jobs, but also penalize their colleagues who depend on them. Like in the business world, we will rely on each other.

Participating in class can be an intimidating experience initially, and I will try to help you in any way that I can. I will evaluate each person's contribution for each and every class and keep a running score on class contribution. You are welcome to check anytime to see how you are doing. Obviously, if you are absent from class, you are unable to contribute. **There is no way to make up participation for a missed class.**

In many cases, I will use this information to **bump grades up** for exceptional contributors if there is a close call. In other cases, I may **lower grades** for students who do not attend class regularly or who disrupt the class (**skipping class, walking in late, talking to your neighbor, texting, using laptops for purposes other than classroom activities, etc.**).

Note that if you are not prepared for a class session, please let me know at the beginning of the class to avoid being cold-called. You have one "pass" day for the quarter—use it wisely.

Individuals are expected to participate equally in terms of their effort to the group assignments and papers. At the end of the course, each class member will provide a confidential evaluation of the other members of his or her team. Where a group member is judged to be substantially deficient relative to his or her teammates, a grade reduction will be incurred. Likewise, if a group member or members are singled out for outstanding contribution by teammates, that person's grade may be raised accordingly. A copy of the evaluation will be sent to the class later in the quarter. Completed evaluations are due by the end of the final class session.

eHarmony Individual Analysis Paper

- Calculate the size of eHarmony's competitive advantage. (See the course schedule for more details)

Strategic Analysis Paper Assignment

A group paper assignment is associated with the sessions on competitive strategy. The paper assignment provides you with an opportunity to apply the ideas and frameworks of the course. The paper assignment has several parts, each of which is described in detail below.

- **Choose a topic.** Choice of a topic is a crucial step in the assignment. There are two steps in the process of choosing a topic. The first is to select a company, and the second is to select one of the company's lines of business. In selecting a topic, please ensure that necessary information is available.
- **Gather information.** After selecting a topic, you are responsible for gathering the information necessary to complete the paper. This information includes financial performance, industry context, and competitive strategy. **I highly recommend meeting with the business librarian Frank Vutto to learn about how to access research databases at Cal Poly.**
- **Analyze the company's profitability within the selected line of business and produce a six-to ten-page paper.** Students are expected to use the course frameworks to analyze the company's profitability within the line of business selected as the topic for the paper. The assignment is to identify the basic industry and competitive conditions that drive the company's financial performance in the line of business, and to evaluate the implications for the company's profitability over the forthcoming *five years*.

Each of these steps requires considerable reflection and commitment, and they are described here in further detail.

Choose a Topic

Choice of a topic is critical to successful completion of the paper. The first step is to choose a company as the subject of the analysis. Find a company that is facing an **interesting strategic decision** (e.g. industry changes, increased competition, changes in business strategy, a firm that does well despite a poor industry, a new alliance, vertical integration, M&A). You will not be required to consult the company directly for material. Ideally, the company you choose will exhibit the following characteristics, although exceptions can be made for compelling cases:

- The company should be publicly traded and adequate information should be publicly available through Annual Reports, financial analysts, and the business media.
- You should be convinced that the company is poised to achieve superior performance over the next five years within a specific line of business
- The company must not have been the subject of any paper you have written previously or are writing simultaneously.

The second step is to choose one of the company's lines of business as the subject of the paper. In some cases, the company may be in a single line of business (or virtually in a single line of business). For example, consider the Coors Brewing Company. Although Coors participates in biotechnology, over 85% of its revenues are attributable to its main line of business, which is the brewing of beer. For the purpose of the project, Coors could be considered a single-business company, and the choice of line of business would be straightforward.

In other cases, the choice of a line of business is more difficult. For example, General Electric participates in a broad range of businesses, including aerospace, broadcasting, white goods (i.e., appliances), and finance. The company's sales are distributed broadly across the lines. If General Electric were selected for your project, then the next step would be to choose one line of business for the study. Before choosing the specific line, you should check the company's Annual Report (or other source of financial statements) to make sure that information on financial performance is available.

There are a few broad issues to address before choosing among a company's lines of business. The first is whether the business is operated as a strategically distinct entity. General Electric's financial operations are often tied to its other businesses, and probably would not constitute a strategically distinct entity. Its other lines—including aerospace, broadcasting, and white goods—probably would be considered as strategically distinct. The second issue is whether information is available at the industry level. You should check on whether the business media provides adequate information to conduct the study. The last issue is whether financial information is available on the specific line of business. Public companies report financial information by business segment in their Annual Reports. Some students may be able to make reasonable estimates of financial performance by line of business when public information is not available.

Gather Information

Early in the quarter you should gather information for this paper. At this time, each student should be prepared to address the following questions regarding the selected company in the relevant line of business. Information on financial performance is particularly important to successful completion of the paper. Potential sources of information include Annual Reports, 10K filings, and press releases; reports in the business press; trade journals; and the student's own experience. You might also find it valuable to look for information through www.hoovers.com, www.morningstar.com, or other public databases. The article "Finding Information for Industry Analysis" (in your course packet) will be particularly helpful in these endeavors. The following questions illustrate the type of information that you should gather.

1. Financial Performance

- a. What has been the return on assets in each of the past five years at the corporate level? What has been the return on sales in each of the past five years?

- b. What portion of the company's assets and sales has been attributed to the selected line of business in each of the past five years? (For public companies, this information may be reflected in the segment data contained in the Annual Report.)
- c. What has been the company's return on assets in each of the past five years within the specific line of business? What has been the return on sales?
- d. How has the stock price changed over the past five years?
- e. Has the company gone through any radical restructuring in the past five years?

2. Industry Structure

- a. What are the geographic and product boundaries of the industry? Is the industry global, or can it be characterized regionally or nationally? Within reason, try to define the industry as narrowly as possible.
- b. What are the total revenues over the last five years for the industry as a whole?
- c. What are the names of the leading two to five competitors in this business? Are there significant groups of smaller competitors? Can the smaller competitors be characterized into groups?
- d. What is the return on assets in each of the last five years for each of the major competitors? What is the average return on assets within the industry?
- e. What is the estimated market share of each of the leading competitors over the past five years?
- f. Can you characterize the purchase process followed by buyers of the company's products or services? Does the purchase process involve the direct comparison of products or services across rivals, or are buyers usually loyal to a specific provider?
- g. Are the company's buyers price sensitive?
- h. If the buyer doesn't purchase from either the company or its direct competitors, does it have any other alternative? What are the closest substitutes that are available if a buyer elects (or is forced) not to purchase from the company or its direct rivals?
- i. What are the major components of cost for the company and its direct rivals? Who are the strategically important suppliers of raw materials and other inputs in the company's business? You may find it useful to consider employees as suppliers.
- j. Do the suppliers have much bargaining power in their negotiations with the company and with its rivals?
- k. Would an outsider have to incur a lot of expense to enter the industry? Would it be difficult to achieve the economies of scale and the distribution network to enter the industry? Are there any other barriers to entry?

3. Company's Strategy within the Line of Business

- a. What is the company's strategy in this business?
- b. Has the company established any quantitative goals for this business? Does it have a targeted market share or profitability?
- c. Does the company charge a price premium over its rivals, or is its product/service priced low?
- d. What unique resources has the company accumulated over the years? You may find it useful to consider brand capital, distribution capability, manufacturing expertise, or an unusual source of supply.
- e. How are these resources influencing the company's financial returns in this business? Do they lower its costs, or do they raise the price that customers are willing to pay?
- f. Does the company suffer from any unusual strategic problem? Has it developed a poor reputation, or does it lack an important capability?

You may not be able to answer all of the questions, or may have trouble understanding the importance of some of the questions. During the curricular sessions, you will be exposed to case studies and to lectures that will clarify the importance of the questions. During several classes, you will have an opportunity to raise specific concerns. In most cases that involve some missing data, we will be able to jointly find a solution that will enable the student to complete the assignment.

Analyze the Company's Profitability and Produce a Six- to Ten-Page Paper

Students are expected to use the program's ideas and frameworks to analyze the company's profitability today, and its prospects for performance over the next five years. The deliverable is expected to be about six pages (single spaced, not including exhibits) in length, although some students may choose to write as many as ten pages. Targeting six pages is recommended. The first section should be a financial analysis that divides the sources of the company's performance in the selected line of business into a component associated with the industry and a component associated with the company's competitive position within the industry. The second section is supporting detail to explain the industry's profitability. The third section is supporting detail to explain the company's competitive position. The fourth section deals with impending changes to the industry structure over the next five years. The fifth section deals with threats to the sustainability of the company's competitive position. The sixth section is a recommendation based on the analysis. The following outline provides more detail and a recommended outline.

1. Introduction and Analysis of Financial Performance
 - a. Indicate the company's name and line of business, and define the industry in which it competes.
 - b. Report the financial performance of the company within this business over the past five years.
 - c. Report the average financial performance of firms in the industry. Identify whether the industry is above- or below-average in profitability.
 - d. Identify whether the company has a competitive advantage based on the difference between its performance and the industry average.
 - e. Provide a broad overview of the issues that the company is facing.
2. Analysis of Industry Structure
 - a. Describe the total revenues and profitability of the industry over the past few years
 - b. Explain why industry profitability is less or greater than the national average using Porter's five-forces model
 - i. Do buyers have significant bargaining strength?
 - ii. Do suppliers have significant bargaining strength?
 - iii. Is the threat of entry significant?
 - iv. Is the threat of substitution significant?
 - v. Is rivalry intense?
3. Analysis of the Company's Competitive Position
 - a. Describe the company's financial performance relative to the industry average over the past few years
 - b. Identify the company's strategy
 - i. What type of business strategy does the firm engage in? What is the positioning that the firm pursues? (advantage, scope, activities)?
 - ii. What are the company's quantitative goals for market share and profitability?
 - iii. How do the company's products/services differ from those of rivals? Does the company achieve a premium price?
 - iv. What are the critical resources and capabilities that distinguish the company from its competitors? Does the company have any competitive advantages? How likely is its business strategy to generate competitive advantage? (See coursepacket and the VRIO test)
 - v. Does the company have unusual problems that put it at a competitive disadvantage?
4. Analysis of Forthcoming Change in the Company's Industry

- a. What major trends are likely to affect the profitability of the industry? Which are likely to improve profitability and which are likely to damage profitability of the industry as a whole?
 - b. What is the timing of the trends? Will the industry likely go through a major punctuated change over the next five years?
 - c. Are the trends likely to have particularly strong impact on the company?
- 5. Analysis of Threats to the Sustainability of the Company's Competitive Advantage
 - a. Are there trends that are likely to have particular impact on the company's competitive advantage or disadvantage?
 - b. Are there major threats to the sustainability of the company's position? (VRIO analysis)
- 6. Recommendations
 - a. Are the company's industry structure and competitive position satisfactory?
 - b. What options does the company face for improving its financial returns over the next five years?
 - c. What strategic actions do you recommend given your analysis of the options available to the company?

Appropriate references must be included in the form of footnotes and a bibliography. Cases are due without exception on the date scheduled. Late assignments will not be accepted. Instances of plagiarism are taken extremely seriously and will be dealt with within the University's prescribed methods to handle honor violations.

Presentation of Strategic Analysis

Each group will give a class presentation covering the strategic analysis group paper. Students will be graded based on the Organization (10%), Content (70%), and Professionalism (20%) of the material presented. A grading sheet will be distributed prior to the presentation day to aid in preparation for the presentation.

The presentation should be made with the purpose of debating the analysis within the case—not rehashing the facts of the case. Severe grade penalties will be made for case rehashing. Each student is expected to read each and every strategic analysis project prior to the date of the respective presentations and prepare questions and critical responses to the analysis within the paper. Classroom participation will be graded heavily during these presentation days. Topics of debate should cover issues regarding the relative attractiveness of the industry, the articulation of the firm's business strategy and positioning, competitive advantage implications of their strategy, and the quality of the recommendations made within the analysis.

TENTATIVE COURSE SCHEDULE

PART 1: THE TOOLS OF STRATEGIC ANALYSIS

Jan 6 INTRODUCTION AND OVERVIEW OF COURSE

CASE: Netflix

Text: Chapter 1, What Is Strategy and the Strategic Management Process?

Jan 8 INDUSTRY ANALYSIS

CASE: Cola Wars Continued: Coke vs. Pepsi in the 21st Century

Text: Chapter 2, Evaluating a Firm's External Environment

Reading: Porter, "The Five Competitive Forces that Shape Strategy"

Jan 13 INDUSTRY ANALYSIS

CASE: Ready-To-Eat Cereal Industry

Barriers to Entry Calculation Assignment: Calculate the size of the barriers to entry into the branded segment of the cereal industry. What would it cost a new entrant to build competitive market share in this industry? State assumptions and show calculations. (Limited to 1 page; group-based, due in class)

Jan 15 FIRM ANALYSIS / COMPETITIVE POSITIONING

CASE: Ducati

Text: Chapter 3, Evaluating a Firm's Internal Capabilities

Reading: Ghemawat & Rivkin, Creating Competitive Advantage

Jan 20 No Class—MLK Day

Jan 21 (Tue) FIRM ANALYSIS / COMPETITIVE POSITIONING

CASE: Southwest Airlines: In a Different World

Text: Chapter 3, Evaluating a Firm's Internal Capabilities

Jan 22 COMPETITOR INTERACTION

CASE: Microsoft's Search

Jan 27

COMPETITOR INTERACTION

CASE: Dogfight over Europe: Ryanair (A)

Ryanair's Cost Structure Calculations Assignment

- Can the Ryan brothers make money at the £98 fare they propose? How much of an attack Ryanair can withstand? (i.e. How much of a price reduction below this point can they withstand?)
- HINTS: You might start with the cost structure for BA (Exhibit 4) and assume that they move toward US style efficiency (Exhibit 2). In a best case scenario, they would be utilizing all seats and covering more fixed costs (BA and AL are at 60-70% utilization).

Competitor Response Calculations Assignment

How costly would it be for Aer Lingus and British Airways to retaliate against Ryanair's launch rather than accommodate it?

- HINTS: Essentially, you are being asked to assess how British Airways and Aer Lingus will respond. You should begin by considering what types of responses are available to them. For example, they might accommodate Ryanair's entry by not changing their prices and allow them to fill their seats. Two other possibilities are untargeted retaliation (across the board fare cuts) and targeted retaliation (selected fare cuts). The action they choose depends on the loss they expect to experience due to Ryanair's entry and the cost of retaliating.
- *Lost sales to Ryanair:* In its most optimistic plan, Ryanair's hopes to serve about 64,240 passengers annually ($4 \times 44 \times 365 = 64,240$). How many would come from the other airlines? How many from the ferries (new business)? (This gives you a range of the potential loss the airlines may experience.) This is the cost of the accommodation strategy (no retaliation).
- *Untargeted retaliation:* Untargeted retaliation means reducing the price on all 500,000 flights they offer between Dublin and London (the route that Ryanair has entered). How far will BA and AL lower their prices? Will it be £98 to match Ryanair? How much lower could they go? (Hint: what costs are fixed and what costs are variable?)
- *Targeted Retaliation:* A targeted program assumes that they are able to offer some reduced fares aimed specifically at the subset of passengers likely to use Ryanair (flight times, etc.). This would be a best-case scenario for BA and AL since they don't have to lower prices on all flights. Suppose that they only have to match or beat Ryanair for 100,000 of their 500,000 passengers (since Ryanair's capacity is only 64,240)?

Jan 29

COMPETITOR INTERACTION/SUSTAINABILITY OF ADVANTAGE

CASE: TBA

PART 2: BUSINESS-LEVEL STRATEGIES

Feb 3

COST LEADERSHIP

CASE: Airborne Express

Text: Chapter 4, Cost Leadership

Reading: Rivkin, Analyzing Relative Costs

Relative Cost Analysis Assignment: Quantify Airborne's sources of advantage. Reference the reading on "Creating Competitive Advantage". This note explains that it is often useful to analyze a company's cost position relative to its rivals and to examine the willingness of customers to pay for the company's products relative to competitors'. The case allows you to analyze the relative costs of Airborne Express in details. Specifically, compare the costs of an overnight letter shipped by Airborne Express to one shipped by Federal Express (see Exhibit 3). Using information in the case and your understanding of what influences each cost item, estimate each of the items for Airborne Express. The case does not allow you to compare willingness to pay across companies more than qualitatively, but it does permit you to examine relative prices. (Limited to 1 page plus calculations; group-based, due in class)

Feb 5

PRODUCT DIFFERENTIATION

CASE: Husky Injection Molding Systems

Text: Chapter 5, Product Differentiation

Buyer Value Calculation Assignment: Are Husky injection systems worth the premium price the company charges? [To answer this question, you will need to calculate the buyer value for a Husky PET preform machine and a Husky thinwall machine compared to a competitor's machine. To calculate the value of a Husky system, calculate how much it would cost to make as many plastic products as a Husky system can make in a year, but with a competitor's system. Show your calculations. If your numbers are wrong, at least your logic can get you some credit. Note: You cannot answer this question fully without an understanding of the numbers in both Thinwall and PET perform.] (Limited to 2 pages; group-based, due in class)

Feb 10

PRODUCT DIFFERENTIATION

CASE: eHarmony

Text: Chapter 5, Product Differentiation

Individual Assignment (Due in Class): Calculate the size of eHarmony's competitive advantage

To calculate the size of eHarmony's competitive advantage (if it exists) over Match and Yahoo!, you need to get an estimate of both the revenues and the costs of all three companies. It is best if you work in terms of dollars and cents per subscribers per month and avoid working in terms of percentages of revenues. Please note that Exhibit 10 of the case gives you list prices for the different types of subscriptions. However, there is no information in the case regarding the distribution of the different subscription types across the three companies. We also do not know whether the companies discount their products differently. However, there is sufficient data in the case to figure out eHarmony's, Match's, and Yahoo!'s average realized monthly revenue per subscriber. The case also includes detailed information on the largest cost for each of the three companies, and some information on other costs. You will not be able to find data on all the costs incurred by these companies, but the information that is available should be sufficient for you to infer the relative sizes of competitive advantages. Finally, you will probably notice that Match has recently increased its marketing expenditures. You may want to undertake two sets of calculations: one with Match's old marketing spending and one with the new marketing spending.

PART 3: CORPORATE STRATEGIES

FEB 12 SUSTAINABILITY OF ADVANTAGE / VERTICAL INTEGRATION

CASE: The Baseball Strike

Text: Chapter 6, Vertical Integration

Reading: McGahan, Sustaining Superior Profits: Customer and Supplier Relationships

FEB 17 NO CLASS—PRESIDENTS DAY

FEB 19 CORPORATE DIVERSIFICATION

CASE: Walt Disney Co: The Entertainment King

Text: Chapter 7, Corporate Diversification

FEB 24 ALLIANCES / MERGERS AND ACQUISITIONS

CASE: The Walt Disney Company and Pixar: To Acquire or Not to Acquire?

Text: Chapter 9, Strategic Alliances

Text: Chapter 10, Mergers and Acquisitions

FEB 26 ALLIANCES / MERGERS AND ACQUISITIONS

CASE: AOL Time Warner

Text: Chapter 8, Organizing to Implement Corporate Diversification

Text: Chapter 10, Mergers and Acquisitions

STRATEGIC ANALYSIS PAPER DUE (IN CLASS)

PART 4: COURSE SUMMARY

MAR 3 GROUP PRESENTATIONS

CASE: _____

CASE: _____

MAR 5 GROUP PRESENTATIONS

CASE: _____

CASE: _____

MAR 10 GROUP PRESENTATIONS

CASE: _____

CASE: _____

MAR 12 GROUP PRESENTATIONS

CASE: _____

CASE: _____

FINAL EXAM: SECTION 1: WED, MAR 19 4-7PM; SECTION 3: MON, MAR 17 4-7PM

CASE PREPARATION QUESTIONS (HOW TO PREPARE TO PARTICIPATE)

Cola Wars Continued: Coke vs. Pepsi in the 21st Century

- Use the Five Forces model to explain why the soft drink industry is so profitable.
- Use the Five Forces model to compare the concentrate business to the bottling business. Why is the profitability of these businesses so different?
- What threats, if any, does the soft drink industry face?

The Ready-To-Eat Cereal Industry in 1994 (A)

- Use the Five Forces model as introduced in chapter 2 of the text to explain why the ready-to-eat cereal industry has been so profitable.
- How have the strategies of Kellogg etc. affected industry structure?
- Why and how is the industry changing? What should the incumbents do about it?
- Calculate the size of the barriers to entry into the *branded* segment of the cereal industry. What would it cost a new entrant to build competitive market share in this industry? State assumptions and show calculations.

Ducati:

- What makes the motorcycle manufacturing industry so attractive when the small-car industry is so unattractive?
- Why does Ducati operate at a competitive disadvantage? Why are buyers willing to pay such a premium for Ducati motorcycles?
- Why does Minoli want to enter the cruiser segment? Should Ducati enter cruisers?

Southwest Airlines 2002: In a Different World

- Why has Southwest been so much more successful than its competitors?
- How has the original strategy been altered in recent years? How, if at all, have these changes affected Southwest's key success factors?
- What kinds of things over which Southwest's leadership has some control could go wrong? What should be done to make sure they don't happen?
- Based on your response to the previous question, what further changes, if any, need to be made by Southwest's leadership in the face of competitive moves and general economic conditions?
- Would you recommend that Southwest Airlines acquire the gates and slots available at LaGuardia Airport? Why?

Microsoft's Search

- How has Microsoft responded to competitive threats and opportunities in the past? What patterns do you see? What is your assessment?
- How large is Microsoft's competitive disadvantage in Internet search and search-related advertising in 2008? If the industry remains on its current trajectory, how will Microsoft's disadvantage evolve over time?
- Why is Microsoft pursuing the market for search and search-related advertising?
- What integrated strategic option should Microsoft's executives—especially Satya Nadella, Jay Giroto, and Gary Flake—pursue?

For this last question, I'd like each group to email me a simple sketch of their answer for us to discuss in class by 6am on the day of class.

Dogfight Over Europe: Ryanair (A)

- What is your assessment of Ryanair's launch strategy? How do you expect Aer Lingus and British Airways to respond? Why?
- How costly would it be for Aer Lingus and British Airways to retaliate against Ryanair's launch rather than accommodate it? Can the Ryan brothers make money at the €98 fare they propose? (see calculation assignment)

Airborne Express

- How and why has the express mail industry structure evolved in recent years? How have the changes affected small companies?
- How has Airborne survived, and recently prospered, in its industry?
- Quantify Airborne's sources of advantage. (See calculation assignment.)
- What must Robert Brazier, Airborne's President and COO, do in order to strengthen the company's position?

Husky Injection Molding Systems

- What is Husky's strategy for competing in the machines and molds industries?
- Why has the company been so successful in the period prior to the recent problems?
- What specific activities (value chain analysis) does it do differently from its competitors? Do these activities support Husky's business-level strategy? (e.g. Husky is unique in being almost the only machine maker to also make molds. Is it effective for Husky to produce both?) Should everyone produce both? Why?
- Are Husky injection systems worth the premium price the company charges?
- What has caused Husky's current difficulties?
- How should Schad and the company respond to these difficulties?

eHarmony

- Why do people want to meet others on-line instead of finding them in the real world?
- How structurally attractive is the on-line personals market?
- Does eHarmony have a competitive advantage? If so, where does it come from?
- How serious is the competitive threat to eHarmony?
- Which of the four options should Waldorf pursue?

The Baseball Strike

- Was the value created by Major League Baseball increasing or decreasing up until the time of the strike? How did the willingness-to-pay of fans and the opportunity costs of players change with the American and Federal Leagues during the early years of industry development?
- How did changes in the structure of transactions between owners and players affect the division of value? What was the impact of free agency?
- Was there anything that players or owners could have done to prevent the strike?
- Imagine that you are a neutral baseball commissioner. What structural changes would make the trading relationship between players and owners stable?

Walt Disney Co.: The Entertainment King

- What type of corporate-level strategy is Disney pursuing?
- Does Disney have any economies of scope? (provide justification)
- How do these economies of scope stack up against the criteria for competitive advantage based on the questions of value, rareness, and inimitability?
- What did Michael Eisner do to rejuvenate Disney? Specifically, how did he increase net income in his first four years?
- Has Disney diversified too far in recent years?

The Walt Disney Company and Pixar: To Acquire or Not to Acquire?

- What are the economies of scope between Disney and Pixar?
- How/Why did Disney allow Pixar to become the market leader in CG animation?
- What transaction specific investments have Disney & Pixar made in each other?
- At the end of the co-production agreement with Pixar, Disney has three choices for its future relationship with Pixar: continue the alliance, acquire Pixar, or end the relationship. Which of these options seems best for Disney? Consider what a future alliance is likely to look like compared to the previous agreement. At a P/E ratio of 46, does acquiring Pixar make sense for Disney? (We all know what happened, but was it the right choice?)

AOL Time Warner

- What was the economic rationale for the AOL Time Warner merger (i.e. the question of value)?
- How likely was this economic rationale to create sustained competitive advantage for AOL Time Warner?
- What difficulties would AOL Time Warner likely face in realizing the intended economies of scope from the merger?