Session Guidance

# Prep for Lecture – Topic outline

Use the following outline to focus on the parts in the text book that are absolutely necessary. The two exams will be solely based on these topic outlines, which are provided for every class with a lecture part.

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| ***Notes and additional information are provided in italics*. An asterisks symbol (\*) is placed against sections and subsections that need careful attention. Key concepts are highlighted in yellow.** |

**CHAPTER 3. ASSESSING THE INTERNAL ENVIRONMENT OF THE FIRM** *(Strategy spotlights and Executive interview in this chapter are optional reads. Read them only for further understanding of some of the concepts. No need to read the beginning part – start from value chain analysis.)*

**Value-Chain Analysis \*\*** *(don’t read the subsection “Integrating Customers into the Value Chain”)*

**Primary Activities** *(read complete subsection)*

**Support Activities** *(read complete subsection)*

**Interrelationships among Value-Chain Activities within and across Organizations** *(read just the first para)*

**Applying the Value Chain to Service Organizations** *(read complete subsection and also, compare and contrast this with a typical value chain. Consider the two diagrammatic representations for comparison.)*

**Resource-Based View of the Firm\*\*\*** *(read this in depth. Some of the concepts may appear easy to understand on the surface but try and figure out the differences between them.)*

**Types of Firm Resources\*\*\*** *(Pay particular attention to the differences between the three concepts below.)*

Tangible Resources

Intangible Resources

Organizational Capabilities

**Firm Resources and Sustainable Competitive Advantages\*\*** *(Read the whole subsection.)*

Valuable

Rare

Inimitability (difficult to imitate)

Physically unique

Path dependency

Causal ambiguity

Social complexity

Difficult to substitute

**The Generation and Distribution of a Firm's Profits: Extending the Resource-Based View of the Firm** *(No need to read this)*

**Evaluating Firm Performance: Two Approaches** *(this section will not be covered in the class lecture and no questions will be asked from this section during the exams. However, you are welcome to use “financial ratio analysis” in your company analysis project, especially if you’ve been exposed to it in other courses.)*

# Guidance to approaching the DeBeers case

The De Beers case will be used for two different topics. For each topic, use the relevant concepts to analyze the case.

Two major subsections in the internal environment topic are Value chain analysis and RBV (Resource-based view).

**Value Chain:** The value chain part is somewhat evident in Exhibit 1. So we will only briefly consider it. Compare and contrast it with a typical value chain. Based on the info provided in the case, consider the changes in the value chain over the years, alternative representations, and other non-De Beers value chains as well.

**RBV:** The main focus of our discussion will be RBV. For the purpose of this topic, analyze the resources in two stages – old strategy and new strategy. Everything mentioned from page 9 onwards (including page 9) should be considered New Strategy. For each stage (Old strategy and new strategy), the critical resources are identified separately. Classify each resource by their type (tangible, intangible, or capabilities). Evaluate each resource using VIRS – Valuable; difficult to Imitate; Rare; and difficult to Substitute. Using the VIRS analysis explain whether the identified resource provides competitive advantages or not.

**Social responsibility:** Consider this from the perspective of RBV and/or value chain. Recognize the two ends of the spectrum – you might take a skeptical view that it might all be an elaborate PR stunt or you can take an optimistic view that the firm truly wants to transform itself socially. Typically, reality tends to be somewhere in between. However, it is important that you figure out where in between these two extremes are you located. Deliberate on the reasons for your stance.

This case prep should help you develop the skill to evaluate the information and data in the case using only the lens of the assigned topic. On the other hand, do not dismiss particular information as tangential without considering it. In other words, you should be able to discern the ‘importance’ and ‘relevance’ of a certain information in the case for the topic at hand.

# Guidance questions for the De Beers case

Guidance questions are meant to provoke a thought process. Ponder over them, especially when the answers are not evident. Remember, in a case discussion there are **no right answers but only better answers**.

1. In terms of De Beers value chain what would you consider the weakest and the strongest parts. Why?
2. Characterize the OLD strategy of De Beers using key words and phrases shared in the case such as stockpiling or horizontal monopoly. Identify related resources/capabilities.
3. Conduct an RBV analysis of De Beers and figure out what resources and capabilities can provide it a sustainable competitive advantage. Qualify your answer in terms of the four criteria that allow a particular resource/capability to provide this competitive advantage.
   1. What is the difference between a resource and capability? Consider examples from De Beers.
   2. What were De Beers’ most critical intangible resources?
   3. What were De Beers’ most critical tangible resources?
   4. What were De Beers’ most critical capabilities?
4. How will things change with the New strategy?
   1. What aspects will remain as competitive advantages?
   2. What aspects become potential disadvantages and need to be changed?
5. Do you consider the business practices of De Beers as good business practices? Use your own definition of what ‘good’ means. It can mean any of these things – ethical, legitimate, legal, good strategy, sound judgement, etc. or something else that you feel should be considered as good business practice.
   1. Take into consideration exhibit 3 and revisit your answer to the above question.
   2. How do you relate their business practices to RBV or value chain concepts?
6. Social responsibility:
   1. Consider how you can relate value chain and RBV to corporate social responsibility.
   2. Do you think De Beers social leadership (HIV, conflict diamonds, black empowerment) is driven by one or more of the following:
      1. A transformed value chain
      2. An inherent sense of social responsibility
      3. NEW strategy
      4. New focal industry segment
      5. Trends in the general environment (social, global, technological etc.)
      6. Governmental pressures
      7. Competitive pressures