**MGMT 495 Innsbruck; 2014**

**Syllabus and Schedule**

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**CLASS OVERVIEW**

Strategic Management is concerned with overall firm competitiveness. It could be called “CEO 101” or “Business Consulting 101.” It is the domain of the well-rounded generalist – not the technical specialist. It requires mastery of both the external forces shaping the competitive environment and the internal forces shaping the firm’s competencies. Beyond that, it is primarily about business judgment . It involves both *analysis* – understanding the relevant “pieces” and how they relate to the whole – and *synthesis* – being able to build themes from apparently conflicting or unrelated data.

Judgment is refined in the crucible of disagreement. In this class, we will use case pedagogy. Every week, students will grapple with complex problems that demand a decision from top management. Students must be able to justify and defend their assessment of the problem (Did you ask the right question?) and their proposed solution. We will attempt to simulate a top management team meeting in each discussion. There is very little room for unsupported opinion in such a context.

**COURSE OBJECTIVES**

1. Define strategic business issues and differentiate them from tactical (functional-area) and operational issues.
2. Be able to identify strategic alternatives and select among competing options .
3. Become adept at articulating and defending strategic recommendations and rationale.
4. Demonstrate the ability to integrate ethical, situational, financial, operational and/or market considerations into strategic choice.
5. Understand how overall firm competitiveness is established.

**GRADING**

Exam (1) 25%

Quizzes 25%

Cases and exercises 50%

**CLASS MATERIAL**

1. Mostly Harvard Business Readings and Cases available digitally online at the following link:

<https://cb.hbsp.harvard.edu/cbmp/access/26843424>

Contact HBS customer service if you have any questions or problems .

**Customer Service**   
Monday - Thursday, 6:00 A.M. - 8:00 P.M. EST  
Friday, 6:00 A.M. - 5:00 P.M. EST  
Saturday and Sunday 9:00 A.M. - 5:00 P.M. EST   
Phone: (800) 545-7685 (+1 617-783-7600 outside U.S. and Canada)  
Fax: (+1)(617) 783-7666  
E-mail: [custserv@hbsp.harvard.edu.](mailto:custserv@hbsp.harvard.edu)

2) One article, “Managing the Strategic Agenda”, is found here…

<http://ehis.ebscohost.com/ehost/detail?sid=5ab8a03a-401d-478c-a01b-3fe2cdfe3130%40sessionmgr12&vid=1&hid=15&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=bwh&AN=9607266257>

**SCHEDULE**

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| SESSION | TOPICS COVERED | ASSIGNMENTS DUE |
| 1 | Intro to the class; basic terminology  In-class case: Stick to the Core | Read: Stick to the Core (cases AND commentaries).  --- |
| 2 | Environmental and Industry factors | Read: Country Risk Analysis… |
| 3 | Groupon Discussion | Case Due: Groupon |
| 4 | Discussion of Global Strategy | Read: Managing Differences… |
| 5 | Discuss BMW case | Case Due: BMW… |
| WEEKEND |  |  |
| 1 | Strategy | Read:Hustle as Strategy  Read: competing for the future. |
| 2 | In-class case: Growing for Broke  Introduction to Modeling | Read: Growing for Broke (case and Commentaries) |
| 3 | Go over modeling assignment | Modeling assignment due |
| 4 | In class: Newell case | Read Newell case |
| WEEKEND |  |  |
| 1 | Review of financials |  |
| 2 | Valuation | Financial analysis due |
| 3 | Valuation continued | Read: Are you paying too much…  Valuation exercise due |
| WEEKEND |  |  |
| 1 | Lecture: turnaround and bankruptcy |  |
| 2 | In- class case: The Layoff |  |
| 3 | Discuss Marks and Spencer case | Case due: Marks and Spencer |
| WEEKEND |  |  |
| 1 | Culture: | Read: Changing the Culture at NUMMI |
| 2 | Review Stone Finch case | Case Due: Stone Finch |
| 3 | Role of top Management | Read: Managing the Strategic Agenda |
| 4 | Ethics:  In-class case: Orangewerks | Read: OrangeWerks |
| Weekend |  |  |
| 1 | Ethics paper due | Present ethical incident paper |
| Final Exam | Final Exam |  |

**GUIDELINE QUESTIONS:**

**Case: Stick to the Core...**

Q1. Who is more important in the organization - Rafferty or Caldwell? Why

I believe they are both important because together they form a balance. Their approaches are completely different but both are important and necessary. Rafferty focuses on the future and has innovative ideas whereas Caldwell is well grounded and focused on the present.

Q2. From the commentaries, identify all of the reasons they SHOULD go into the new business. Use bullet points. Which seems most compelling to you? Why?

1. There is not a huge difference between creative advertising and new marketing services
2. Clients have been requesting a strategic service from Advaark
3. With the new business there would be a strong focus on customer relationships. I learned in Marketing that this factor is paramount
4. The new business would keep Rafferty interested in the agency and avoid alienation on his part

The reason that I find most compelling is that clients have actually requested a strategic service. The agency should take their opinion into consideration since they provide revenues and their interest keep the agency going.

Q3. From the commentaries, identify all of the reasons they shouldn't go into the new business. Use bullet points. Which seems most compelling to you? Why?

1. Energy drinks could be just a fad, hence the growth would be fast but then sales could drop dramatically and Advaark could end up incurring losses
2. There are many regulations regarding drink and food products. A lot of research has to be done in order to maintain the reputation of the company and approval from the FDA can be really difficult to acquire
3. Rafferty is doing things too quickly and he showed Caldwell only a week worth of research. Also, he is not treating Caldwell as a business partner.

The most compelling to me is number 2. Energy drinks have started to have a bad reputation. They can cause headaches and migraines, tachycardia, and they have a really high sugar and caffeine content. Since they don’t know much about energy drinks they might have to hire experts and that can be really expensive.

Q4: Which commentator has the weakest argument? Why do you think it is weak?

I believe that McCallum has the weakest argument. In my opinion, he is just summarizing some points in favor of the new business. Also, compared to other commentators, he doesn’t talk about both perspectives; he seems to be one sided. His advices are somewhat broad and he didn’t provide many solutions or steps unlike the other commentators.

Q5: If you HAD TO go into the new business, HOW would you do it so as to mitigate the concerns expressed by some of the commentators.

I noticed that Caldwell and Rafferty did not perform a deep SWOT analysis.

I would definitely do much more research about the energy drink industry and customers perceptions. The risks need to be assessed in advance to prevent losses and once the product is in accordance with FDA regulations, there should be a trial period in which Adwaak gives free samples to different potential markets before launching the product.

Q6: What would you do? Why?

I would focus on the business Admaark has right now. Although the leap from creative advertising to product services is not too big, it seems that Rafferty wants to change things way too quickly. Rafferty is being a bit coercive since he started doing things without his partner’s consent. I would find out more about the risks involved and explain them to him in detail. He should not be alienated since it is a partnership and there should be mutual agreement on big decisions like this. If change is really necessary, I would probably go with something less risky than the food and energy drink market.

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**GROUPON QUESTIONS**

1. What is Groupon’s core competence? Do you think they have a competitive advantage over other competitors? What might it be?

Groupon’s core competency is being a giant e-commerce and local marketing company with a big sales force that connects to both small businesses and large companies. Also, they do things differently than their competitors. For instance, they assure businesses a minimum number of customers by doing group promotions; the larger the group the greater the benefit for each individual customer, similar to what occurs with economies of scale. Even though they do promotions differently, they do not have a competitive advantage; they just essentially innovated the way sales and promotions are done. Any other new or existing company could imitate Groupon or target people the company has not been able to reach (i.e. elder people, homemakers, a larger male population, etc.)

the company does not have barriers of entry hence it is easy to duplicate its business model and operations; as Mason estimated there are over “2,000 direct clones worldwide.”

1. Using relevant parts of Porter’s five force model, explain the extent to which you believe the industry structure is favorable or unfavorable.

Groupon could be consider the leader in the online discount industry (for now), but as Mason estimated there are over “2,000 direct clones worldwide.” There are no barrier entries since It does not take much to set up a daily deal site; most likely it will only take computing power, funding, and a sales team, all of which is not extremely expensive. So far, there is no brand loyalty with online deal sites. Potential customers can research several deal sites and find better deals than Groupon’s offers; The company does make the customer pay in advance, but he/she can switch easily to another online deal site if they didn’t enjoy their experience. Similarly, the company has little negotiation power with product suppliers since the firm that wants to offer a deal has many options as well.

1. Groupon has yet to be profitable but they have enormous sales. Why is their plan appealing to their clients? What do clients not like? What about the end consumer… what is their response to the product. Do you think profitability is just around the corner? Why? Do you think that their approach to business (business model) is flawed or is strong for the future? Why?

Groupon’s clients are the merchants that sell their products or services. Their plan is appealing because it increases customer exposure for the merchants resulting in increased traffic. Clients also do not have any upfront costs since the only monetary transaction that occurs with Groupon is a check to the client. However, clients complain that many of their customers from Groupon are not retained and many times do not purchase above the “average sale”. This ultimately results in top-line growth but with weakened profits. Most of the end users seem to have positive experiences with Groupon. They can grab discounts at familiar or new places, as well as discover new services and products with a lower monetary risk. Even if a Groupon purchase expires, it is still valid for the face value indefinitely. Something that end users have criticized is what has become known as “Groupon remorse.” This is when the users purchase what they believe to be a great deal, but when time passes they are either no longer interested in the purchase or do not feel as if it is worth the purchase amount anymore.  
I do not believe that profitability is anywhere near or around the corner considering the current business model. What I believe hinders Groupon’s profits is the inability to increase the customer retention rate for its merchants. This is a great concern for stockholders thus diminishing Groupon’s market capitalization.

1. Evaluate the financials using any of the relevant ratios that we talked about last session. What do you like? What troubles you?

The financials indicate that the company is generating value and it seems to be growing very fast; however, fast growth is not always a good thing. The net loss of $413, 386 indicates that although Groupon is generating value, it fails to capture it. Another thing that troubles me is that the company’s acquisition related expense was around $203 million, which is quite high; also, costs should be falling as the company expands, but the opposite is occurring.

1. If you were in charge of Groupon, what would you do to improve results? Be creative as far as the case allows. Outline at least three points of a strategic agenda. Do NOT say, “Replace the CEO.” Can you strengthen their core competence (see Q1) or do they need to abandon it for something else?

I believe the aforementioned issue of minimal customer retention for merchants must be solved. A messages feature on the Groupon website and mobile application can be implemented that would allow customers to receive either new or exclusive deals or even event updates from merchants they have purchased from already. This would ensure that merchants will almost always have a shortened line of communication between them and the customer, as well as give the customer another reason to return to the Groupon website or application.  
Depending on how successful the messages feature is, it could evolve into a deal sharing feature among Groupon “friends”, ultimately giving Groupon a social network aspect to it. Anything added to this social networking portion must only be done to strengthen the goal of selling vouchers and retaining customers for merchants. Otherwise Groupon would risk compromising its user base. These added features would strengthen Groupon’s core competence by bringing the merchants and customers closer…

^^^^ No se como terminar esta idea/oracion bien.

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**Questions for Growing for Broke**

1. Bullet point the reasons given by the “CEO” and by the commentators for making the acquisition.
2. Bullet point the reasons given by the CEO and commentators for not making the acquisition.
3. Identify advice offered by the commentators (bullet points).

What would you do and why? Be sure to justify your answer. Make sure you address co

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**Questions for the Newall Case**

The Newall case is not primarily used as a decision/recommendation case, so you don’t have to worry about developing and justifying recommendations. It is used as a case to illustrate some key concepts associated successful growth by mergers and acquisition.

1. Newall only purchased companies that met several criteria. What were these criteria. You may bullet point this if you like. Why does strict adherence to these criteria ensure the likelihood of success?
2. Identify two Macro Environmental Factors mentioned in the case and explain how they impacted Newall’s strategy.
3. Explain what functions were performed on the on the “corporate” level and which were done at the operating division level?
4. Exactly what was “Newalization”?
5. Often, you will hear people say that organizational integration is difficult. This case describes what Newall does to integrate a target company into Newall. Specify what is required to “integrate” one company into another.

**Case: Managing the Strategic Agenda…**

Q1. Identify qualities in Tom that would suggest that he might be a GOOD CEO.

Q2: Identify qualities in Tom that made him an ineffective CEO.

Q3: Identify qualities in John that made him effective.

Q4: Why would Tom have difficulty trying to implement John’s approach to managing in his own organization?

Q5: What are the 3-5 attributes that you MUST HAVE to be an effective CEO

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**Case: Orangewerks**

1) Identify at least 4 ethical violations committed by various people in this case.

2) What are potential consequences to various stakeholders if Samarin does nothing?

3) Identify at least three options that Samarin has and tell what the pros/cons are to HIM under each option.

4) What would you advise Samarin to do?

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THE LAYOFF

1. Identify five options that might be available to Astrigo and identify pros and cons for each. Use bullet points. This might be best displayed in a chart.
2. Evaluate the commentators by (a) identifying any themes that appeared in more than one commentary; (b) what advice do you think makes the least sense in this situation? why?
3. Which of the actors in the case seem to be least perceptive (idealistic?; too hard core, etc.) about how to handle the situation (critique the behavior/idea presented by this person).
4. Explain what strategy you would use and why.  
     
   Your answers should be about 1.5 -2 single-spaced pages total.

**Session 1**

Recommendations:

Be specific in recommendations. Who are u gonna fire, where are you going to expand

3 types of strategy:

1. corporate level strategy: general electric is a corp and it might own different business (locomotive, engines, houseware). What business should we be in? what should be the emphasis among them? How much money should we invest.
2. Business strategy: how do we compete? It is after competitive advantage.
3. Functional area strategy : marketing, finance, etc. pieces that align with business strategy

Capital cost: cost before u go into business. The building, the land

Operating cost: once u open the doors, how expensive is it

1. Intended vs. realized strategy
2. Formulation (plan) vs implementation (details)

* Intersection between strategy and organizational business

1. problem or opportunity

* Guiding principle
* Execution decisions
* Department level decisions that form a coherent pattern

Strategy Is not a goal.

Core competencies: what are you good at? Skills and resources that you develop as prominent features of your competitive advantage

Financial impact is unknown. A lot of fixed costs (office space for new employees)

Common strategic question: should we go into a renaimed business

If we were going to start u should have a separate business

**Session 2**

Recommendations most important

Bad recommendations :

Further all of the owners have a good social network which will help the company to bounce back thru word of mouth

In addition selling both the paint and interior businesses will be considered

Determine which of the scenarios would yield the best result for the org.

True financial health of the company needs to be determined.

Create managerial financial statements for each of the divisions for the last 3 years

Asses the profits and losses for each of the divisions and project data for the next year. Need to say the assessments and projections for next year!

Implement chosen course of action

**Be specific and tell him what to do**

Improved communication among the owners of the company to see where they are going forward. If they need to improve communication, say how!!

Sell the unnecessary subsidiaries ….tell me which!

Top management understand the big picture (macroeconomic). Longer process

Middle management is more short term

CEO 2 things:

Entry Barriers :

1. Regulation
2. Capital
3. Patents
4. Special knowledge
5. Distribution

**Substitute: someone in a different industry. Delta for example el substitute would be a train. They put a ceiling on your pricing . cant price it above that or people will use substitutes. The more the substitutes the more intense the rivalry**

**Substitute is different from a competitor (i.e American airlines vs delta)**

You reduce the power of buyers thru branding (functionary strategy)

Key industry dimensions

1. absolute size
2. growth rate
3. profitability
4. cyclical
5. seasonal
6. frag, (i.e. real estate, sales)/concentrated (2-3 big players in the industry)
7. capacity utilization
8. sub-industry/ segments
9. driving forces
10. key competitors

drug industry has 16% return whereas food industry has 6%. That’s bc pharmacy industry has less threat of new entrants hence less competencia

there are a lot of substitutes for food groceries, not for pharmacies. The power of buyers is none for pharmacies.

**Core competencies: particular skills the company has developed that help compete successfully. Groupon has really strong competencies but is not arrange in a way that makes money. Don’t replace the CEO**

**What other businesses can they go into.**

**Core competencie: versatile (many applications), valuable (in products/ services) and difficult to duplicate**