

**MAN6724**

# **STRATEGIC MANAGEMENT**

**August 2016 - October 2016**

**Professor Gwendolyn Lee**

## **SYLLABUS**

### **COURSE PHILOSOPHY & LEARNING OBJECTIVES**

Why are some companies more successful than others and what, if anything, does strategic management have to do with it? The *Strategic Management* Course answers this question by introducing conceptual frameworks and analytical tools that identify the key drivers of superior performance under different conditions and explain how to formulate strategy in the face of environmental change and uncertainty. This course is designed to build your competence in skillfully applying powerful frameworks and tools.

Strategy, in this course, is defined as a contingent plan of action in choosing what business models to use (and/or designing new-to-the-world business models) so an organization can reach its goals. By contrast, business model refers to the organizing of an activity system for internal, external, and dynamic consistency. The word “contingent” is of great importance. It means that strategies contain provisions as to what to do even for contingencies that may end up not taking place. The substantive difference between strategy and business model arises when modifications to the business model are necessary due to the possibility of particular contingencies (such as a recovery from the recession) and actions by other industry players (competitors, complementors, buyers, or suppliers). For example, an incumbent firm facing a potential entrant typically has a plan for the scenario of entry and another plan for the scenario of no entry. Importantly, an organization has no strategy when it has no alternative plans for the various contingencies that may arise. While every organization has some business model, not every organization has a strategy.

The frameworks and tools introduced in this course are particularly useful in clarifying the issues that arise when managers with different instincts debate which plan of action to choose. Frameworks and tools can transform the debate from a battle of guts (that tend to be resolved on the basis of reputation, power, and eloquence) into a comparison of the assumptions being made about a given situation’s fundamental structure. Such debates are more likely to be productive in that managers can move past areas of agreement, focus on areas of disagreement, and analyze why they hold different beliefs. In planning for action, such debates will highlight critical assumptions that managers should be particularly mindful of as contingencies play out. By

design, this course sets up the common language for such debates and fosters a learning environment where constructive criticisms are used in such debates. In addition, this course simulates business situations that the course participants are likely to encounter later in their career. By the end of the course, you will have acquired a complete set of tools and have spent enough time experimenting with these tools to help you along your quest to become a top notch strategic thinker.

## **COURSE ASSIGNMENTS & GRADING SCHEME**

The letter grade is assigned based on the z-score distribution. The grading scheme is as follows:

➤ Group Project	30%
➤ Final Exam	30%
➤ Quizzes	20%
➤ Attendance	10%
➤ Class Participation	10%

### **➤ Group Project (30%)**

The group project asks you to analyze an industry and how a company competes in that industry. The objective of the group project is to help you prepare for your career upon graduation and job interviews. It can be an industry you want to learn more about and/or a company you want to work for. The more you put into the process, the more rewarding the experience will be for you.

Form a group of 5 students and decide by *Thursday, September 8<sup>th</sup>* what industry and company you want to study for the group project. I advise you to get started on this assignment as early as you can. Email me your industry/company choice as soon as you can, so no other group will duplicate the same effort for our collective learning. Your group will present both industry-level and firm-level analyses on *Thursday, September 29<sup>th</sup>*.

The deliverable takes the form of answering the following three questions, by applying the frameworks/tools learned from this course. The deliverable will lead off with an executive summary, giving an elevator pitch for the insights you generated from the group project.

1. Apply the five forces model to the industry in which your company is based. What does this model tell you about the nature of competition in the industry?
2. Identify whether your company has a competitive advantage or disadvantage in its primary industry.
3. What strategies has your company used to manage entry and manage rivalry in the industry?

Your submitted group project write-up and power-point slides will be posted on the course website for the benefit of peer-based learning.

➤ **Final Exam (30%)**

On **Tuesday, October 11<sup>th</sup>**, a final exam is scheduled. The *in-class* final exam is open book and open notes. This is an individual-based assessment. You will have up to **TWO HOURS** to complete the exam in the regular classroom and meeting time. Bring your laptop. You will need a word processor and access to Canvas.

➤ **Quizzes (20%)**

Four quizzes will be given to assess your understanding of the assigned readings. The titles of the readings are listed in the Course Roadmap. Before the assigned session, complete the quiz on Canvas. This is an individual-based assessment.

➤ **Attendance (10%)**

Attendance in all sessions is required. Please consult with the course instructor via email ahead of the absences, if possible, to be excused. Excused absences do not affect the attendance portion of the grade.

➤ **Class Participation (10%)**

You are expected to participate in class (1) by discussing the assigned case studies and readings, and (2) by adding value to the learning environment. **The evaluation of class participation is based on how prepared you are for case discussions and how much value you add to the learning environment.**

Your value-add will be measured by:

- ✓ **Showing evidence that you have read the assigned readings.**
- ✓ **Showing evidence that you have prepared for the assigned questions.**
- ✓ Showing intellectual curiosity by going beyond the obvious.
- ✓ Seeing various sides of arguments and challenging views presented in the case or by other course participants.
- ✓ Making insightful and relevant comments.
- ✓ Being clear, logical and to the point.
- ✓ Avoiding repeating case facts or re-packaging someone else's comments.
- ✓ Integrating and building on knowledge from previous lectures, other courses or personal experiences.

## Assignment Due Date Reminder

DUE WHEN?	WHAT ARE THE DELIVERABLES?
<i>Canvas quiz (complete before class)</i> Thursday, August 25 <sup>th</sup> Tuesday, August 30 <sup>th</sup> Thursday, September 8 <sup>th</sup> Tuesday, September 13 <sup>th</sup>	<u>The Cost-Quality Frontier and Competitive Advantage</u> <u>Creating Competitive Advantage</u> <u>The Five Competitive Forces That Shape Strategy</u> <u>What is Strategy?</u>
<i>In-class presentation</i> Thursday, September 29 <sup>th</sup>	<u>Group Project presentations</u>
<i>Canvas submission*</i> Thursday, September 29 <sup>th</sup>	<u>Group Project write-up &amp; power-point slides</u>
<i>In-class exam (bring your laptop)</i> Tuesday, October 11 <sup>th</sup>	<u>Final Exam</u>

**\*One submission per group should be uploaded to [CANVAS ASSIGNMENT](#).**

**DO NOT INSERT SPACE ON FILE NAMES.**

## COURSE POLICY

In this course, my expectations of you are:

- Coming to class prepared for case analysis and discussion.  
 An important part of this course is case analysis and discussion. In preparing for class, seek to apply the frameworks and tools covered in the readings to the cases. Please come to class prepared with analysis that addresses the questions listed for each session in the Course Roadmap. (You are expected to attend all sessions.) In order to better approximate real business situations, case analysis both during class and in the assignment is to be based solely on information in the case. There is no need to search for additional information. If you have prior experience that is particularly relevant to a given case, please alert me in advance and I will try to incorporate your knowledge into class discussion.
  
- Reading beyond the assigned articles and cases is encouraged, but not required.  
 The course assigns readings that are specifically relevant for each session's learning objectives. The sources of the readings cover multiple textbooks, and they are listed in Course Roadmap. Among them, see *Strategy and the Business Landscape* by P Ghemawat for a brief overview; see *Contemporary Strategy Analysis* by R Grant for a more extensive treatment. If you want an emphasis on the reality of organizational complexity, see *Strategic Management* by Saloner, Shepard, & Poldony. If you prefer a more technical textbook, see *Economics of Strategy* by Besanko, Dranove, Shanley & Schaefer. While enriching your knowledge with further reading is encouraged, you will only be responsible for the required readings listed in the Course Roadmap in class participation, the assignments, and the final exam. All the readings are included in your course packet and through the library electronic resources. Details about the course packet and the library electronic resources will be announced via email and posted at the course website.

- Producing work of the highest quality.  
Engage in continuous learning to the best of your abilities. Maintain high level of integrity in creating original work for the assignments and exams.<sup>1</sup> For group project, be accountable to your group member colleagues.

## COMMUNICATION

An important source of communication is the course website hosted at E-Learning (Canvas): <https://lss.at.ufl.edu/>. After each session, I will post a recap of the main learning points. Reviewing the recap notes after each session will allow the learning to sink in. The recap notes are especially useful if you have to miss a class. Please contact me if anything is unclear. I will answer all your questions about class discussions promptly and will post both your question and my reply on the course website for the benefit of the rest of the class.

I will certainly be available to meet with you one-on-one or in small groups throughout the course. Send me an email to schedule for face-to-face appointments. I'd be happy to discuss anything on your mind with respect to the course and general principles of strategy.

I look forward to meeting you on Tuesday, August 23<sup>rd</sup> and to working with you over the following several weeks.

Gwendolyn (Gwen) Lee  
Course Instructor  
[gwenlee@ufl.edu](mailto:gwenlee@ufl.edu)  
[gwendolyn.lee@warrington.ufl.edu](mailto:gwendolyn.lee@warrington.ufl.edu)

Office hour: By appointment  
Office: STZ 2111

## COURSE INSTRUCTOR

Appointed as the Chester C. Holloway Professor in Strategy, Innovation & Entrepreneurship, I am an Associate Professor at the University of Florida, Warrington College of Business Administration. I was an Assistant Professor of Strategy at INSEAD on both the Asia and Europe campuses (2003-2005, 2009-2010). While on sabbatical leave 2013-2014, I was appointed as a Visiting Scholar at the Wharton School, University of Pennsylvania.

I hold a Ph.D. in Business Administration from the University of California at Berkeley, and M.S. and B.S. degrees in Chemical Engineering from the Massachusetts Institute of Technology. Currently, I serve on the Editorial Review Boards of the Academy of Management Journal, and

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<sup>1</sup> An online anti-plagiarism service, which compares student submissions to millions of websites and papers submitted for exact matches, will be used to verify whether students properly cited their sources.

the Strategic Management Journal, which are the premier academic journals of high impact in strategic management.

My research has been in the field of strategic management with a focus on corporate strategy in knowledge-intensive settings. My research objective is to contribute to knowledge-based perspectives and the resource-based view of strategy on how to manage a firm's portfolio of businesses, resources and capabilities. I have published research articles in leading management journals, including the Academy of Management Journal, Best Paper Proceedings of the Annual Meeting of the Academy of Management, Organization Science, Research Policy, the Strategic Management Journal, and Strategy Science. One of my Best Paper Proceedings was recognized with the Distinguished Paper Award at the Annual Meeting of the Academy of Management. My current research is funded by the National Science Foundation.

I have taught a wide range of courses in strategy, technology and innovation, at the undergraduate, master, and doctoral levels. I am humbled by the votes showered by the students at the University of Florida, College of Business Administration, electing me as Faculty Member of the Year.

## Course Roadmap

This course is structured in three parts. Part 1 introduces an overview of the course, setting the stage for subsequent in-depth discussions. Part 2 presents the frameworks and tools for value creation, value appropriation, and value innovation. Part 3 concludes the course with a series of integrative case analysis.

SESSION DATE	ASSIGNED CASE STUDY
August 23	Session 1 – Pandora Radio
August 25	Session 2 – Sunrise Medical
August 30	Session 3 – Dell Computer
September 1	Session 4 – Husky Injection Molding Systems
September 6	Session 5 – Ryanair
September 8	Session 6 – COMAC and The World-wide Aircraft Manufacturing Industry
September 13	Session 7 – The Recorded Music Industry (on the Brink of the Digital Age)
September 15	Session 8 – Wintel
September 20	Session 9 – China’s Global Ambitions
September 22	Session 10 – The U.S. Wine Industry
September 27	Session 11 – Circus Industry
September 29	Session 12 – <b>Group Presentations</b>
October 4	Session 13 – Samsung Electronics
October 6	Session 14 – Kodak and the Digital Revolution
October 11	Session 15 – <b>Final Exam</b>

### Introduction

#### Session 1

#### The essence of strategy is to generate and capture value

- Framework/tool: Virtuous cycles
- Reading: How to Design A Winning Business Model in *Harvard Business Review* 2011, by R Casadesus-Masanell, J Ricart. [CANVAS]
- Case for application: Pandora Radio
- Analysis: Map out the key elements of Pandora’s business model.
  - How does the business model scale?

- What are the key indicators that tell Westergren whether the business model is working or not?
- Among the possible options for Pandora's high usage customers, which would you recommend and why?

**Module 1: Value Creation**  
**What shapes the creation of economic value?**

**Session 2**

**Differentiation vs. low-cost trade-offs**

- Framework/tool: Productivity frontier
- Reading: The Cost-Quality Frontier and Competitive Advantage, Section 3.7 in *Strategic Management*, by G Saloner, A Shepard, J Podolny. [CANVAS] **QUIZ!**
- Case for application: Sunrise Medical
- Analysis: Evaluate Sunrise Medical's entry strategy into the standard lightweight segment of wheelchair market.
  - What is Invacare's competitive advantage in wheelchairs?
  - What is Quickie's competitive advantage in wheelchairs?
  - What are the pros and cons of accepting Guardian's proposal to enter the lightweight standard segment?

**Session 3**

**Creating competitive advantage**

- Framework/tool: VARC framework - the sources of competitive advantage
- Reading: Creating Competitive Advantage, in *Strategy And The Business Landscape*, 3<sup>rd</sup> ed. 2010 by P Ghemawat, JW Rivkin. [CANVAS] **QUIZ!**
- Case for application: Dell Computer  
 Michael Dell, Founder, Chairman and CEO, Dell Inc.  
 Watch the interview at <https://www.youtube.com/watch?v=NcGfnxA-eF4>
- Analysis: Evaluate Dell's business model of virtual integration.
  - At the height of Dell's success in the 1990s, what were the sources of the company's competitive advantage?
  - For at least ten years, why was it difficult for rivals (IBM, Compaq, Hewlett-Packard, and Gateway) to respond to Dell's strategy?

**Session 4**

**Defending differentiation advantage against new entrants**

- Framework/tool: Competing on Resources
- Reading: Competing on Resources in *Harvard Business Review* 2008, by DJ Collis, CA Montgomery. [CANVAS]
- Case for application: Husky Injection Molding Systems
- Analysis: Advise Husky in regards to weakened demand.
  - How can Husky reduce its cost per unit?
  - Should the price of Husky systems be reduced?



- How should Husky defend against Nestal?

### Session 5

#### Value proposition and incumbent retaliation

- Framework/tool: Alignment of value proposition and activity system
- Readings: Can You Say What Your Strategy Is? in *Harvard Business Review* 2008, by DJ Collis, MG Rukstad [CANVAS]
- Case for application: Ryanair
- Analysis: Evaluate Ryanair's launch strategy.
  - Can the Ryan brothers make money at the £98 fare they propose?
  - How costly would it be for Aer Lingus and British Airways to retaliate against Ryanair's launch rather than accommodate it?
  - How do you expect Aer Lingus and British Airways to respond? Why?

## Module 2: Value Appropriation

### What shapes the distribution of economic value?

### Session 6

#### Industry structure

- Framework/tool: Structure of an industry
- Reading: The Five Competitive Forces That Shape Strategy in *Harvard Business Review* 2008, by ME Porter. [CANVAS] **QUIZ!**
- Case for application: COMAC and The World-wide Aircraft Manufacturing Industry  
SEE CANVAS FOR THE READINGS
- Analysis: Evaluate the dominance of the incumbents in the 100+ passenger aircraft industry.
  - Why is it that only two companies (Airbus and Boeing) dominate the 100+ passenger aircraft manufacturing industry?
  - How should Airbus and Boeing respond to COMAC's entry?

### Session 7

#### Industry evolution

- Framework/tool: Dynamic changes over time along industry value chain, in market size, and across competitive forces
- Reading: What is Strategy? in *Harvard Business Review* 1996, by ME Porter [CANVAS] **QUIZ!**
- Case for application: The Recorded Music Industry
- Analysis: Evaluate how the Internet changed the structure and economics of the music industry.
  - Will major record companies continue to dominate the business?
  - What advice would you give to Amazon.com as they ramp up their online music store?

### Session 8

#### Business ecosystem: cooperation and conflict

- Framework/tool: Conflicts between business models
- Reading: With Friends Like These in *Harvard Business Review* 2006 by D Yoffie, M Kwak. [CANVAS]
- Case for application: Wintel
- Analysis: Evaluate Andy Grove's alternatives on NSP: a) cave in to Bill Gates; b) hold the ground; or c) try to negotiate a compromise.
  - What are the key drivers of profitability in Intel's business model?
  - What are the key drivers of profitability in Microsoft's business model?
  - Given these drivers, in what areas would you expect competition vs. cooperation?

### Session 9

#### Global competition

- Framework/tool: The modularity-maturity matrix
- Reading: Does America Really Need Manufacturing? in *Harvard Business Review* 2012, by GP Pisano, WC Shih. [CANVAS]
- Case for application: China's Global Ambitions  
SEE CANVAS FOR THE READINGS
- Analysis: Evaluate China's global ambitions and the U.S. competitiveness
  - Why does Xiaomi terrify the rest of the tech world?
  - Why does a state-owned company in China bid the Micron Technology, the U.S. maker of memory chips?
  - How is China reassessing its global investment strategy as the country faces new economic challenges at home and abroad?

### Module 3: Value Innovation

#### What strategic moves generate value in new market spaces?

### Session 10

#### Business model innovation

- Framework/tool: How to innovate in business model design
- Reading: Creating Value Through Business Model Innovation in *Harvard Business Review* 2012, by R Amit, C Zott. [CANVAS]
- Case for application: 'Crafting Winning Strategies in a Mature Market: The US Wine Industry in 2001' (in-class video)
- Analysis: Evaluate the US wine industry and formulate a strategy.
  - How attractive is the US wine industry?
  - If you are an existing player, what should your strategy be to achieve profitable growth?
  - If you are not an existing player, should you enter? If yes, what should your strategy be?

### Session 11

#### Blue Ocean strategic moves: paths to creating new market space

- Framework/tool: Strategy canvas, ERRC framework, and noncustomers

- Reading: Blue Ocean Strategy in *Harvard Business Review* 2004, by WC Kim, R Mauborgne. [CANVAS]
- Case for application: Cirque du Soleil (in-class video)
- Analysis: Evaluate Cirque du Soleil's Blue Ocean strategic moves.
  - Did Cirque du Soleil position along the existing productivity frontier of the circus industry? Or did it shift the productivity frontier outwards based on a reconstruction of market elements?
  - Compared to traditional circuses, what market elements has Cirque du Soleil eliminated, reduced, raised and created?
  - What non-customers have been drawn into this new market space?

## Session 12

### Group Presentations

### Integrative Case Analysis

## Session 13

### Value creation, appropriation, and innovation

- Framework/tool: Value creation, appropriation, and innovation
- Case for application: Samsung Electronics
- Analysis: Evaluate how Samsung should respond to the threat of entry into its DRAM chip business.
  - To what extent does Samsung have a competitive advantage at the time of the case?
    - Is Samsung's competitive advantage based on low cost paid for inputs (e.g., labor, finance) and/or efficient, productive use of inputs?
    - Is Samsung's competitive advantage based on differentiation (increased WTP)?
  - What are the resources and capabilities that support Samsung's competitive advantage?
  - What are the key characteristics of the Global DRAM industry and how does the approach taken by Samsung address these characteristics?
  - Facing large-scale entry into DRAM by competitors operating in China, what advice do you have for Chairman Lee?

## Session 14

### Value creation, appropriation, and innovation through resource pathways

- Framework/tool: Build, Borrow, or Buy - Solving the Growth Dilemma
- Reading: Finding the Right Path in *Harvard Business Review* 2010, by L Capron, W Mitchell. [CANVAS]
- Case for application: Kodak and the Digital Revolution
- Analysis: Evaluate how Kodak should respond to the digital revolution.
  - Evaluate Kodak's strategy in traditional photography. Why has the company been so successful throughout the history of the industry?
  - Compare traditional photography to digital imaging. What are the main structural differences? Will digital imaging replace traditional imaging? How

have value creation and value appropriation changed in digital photography relative to traditional photography?

- Evaluate Kodak's response to Sony's introduction of the Mavica in 1981. Was it appropriate?
- How would you assess Fisher's attempt to transform Kodak? Why did it fail?
- What is Kodak's current position in digital imaging? Would Kodak's position be different had the company adopted a different digital imaging strategy in the eighties and the nineties? Evaluate Kodak's strategy from the mid-1980s onward.

**Session 15**

**Final Exam**