PEPPERDINE UNIVERSITY
THE GEORGE L. GRAZIADIO
SCHOOL OF BUSINESS AND MANAGEMENT

DR. ROBERT FULMER
MBAM 619.18
STRATEGIC ANALYSIS
SPRING 2004 SESSION A
WEDNESDAY
1 – 5 P.M.
MALIBU

SYLLABUS
COURSE: Strategic Analysis MBAM 619.13

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COURSE OVERVIEW

Strategic Analysis (MBAM 619) is an integrating course of the MBA curriculum. First, it takes a broad view of the environment in which business firms operate. It thus draws on ideas and concepts explored in prior courses. Secondly, the course views the firm as a whole as its units of analysis and examines how policies in each functional area can be integrated into a successful strategy. From the first day of the course, you will be put in the role of either a general manager with multi-functional responsibilities or an adviser to a general manager.

EDUCATIONAL OBJECTIVES

Strategy will be taught largely as a case course. This means that it places a great deal of emphasis on developing personal skills in identifying problems, developing alternatives, performing analysis, making decisions, communicating those decisions and defending one's position.

The primary educational objective of this course is to help you develop the ability to think more strategically about management issues. Specifically, the course will stress the need for in-depth analysis of industries and competitors, as well as the prediction of competitor behavior and future industry evolution. It also will look at how government, technology, and other environmental factors impact organizational performance.

Strategy addresses the way in which the general manager can integrate functional policies into an overall competitive strategy that creates and sustains a competitive advantage. The course will examine how to identify a firm's strategy, test it for consistency, develop strategic alternatives, and probe alternatives for likely competitive reactions.
Strategic Analysis has three major themes. The first segment, "Industry and Environmental Analysis," explores strategic issues associated with understanding the competitive context of business. It focuses on the traditional foundations of industry and competitive analysis. The second theme, "Building Competitive Advantage," shifts attention to broad strategic issues and introduces some of the emerging concepts associated with "Competing for the Future." The final section focuses on "The Leader’s Strategic Challenge" in a global context and the role of leadership in implementing strategy.


In addition to the text, various articles will be suggested for additional reading. You may also want to reference ceoexpress.com and the home pages for the various companies we discuss in class. If you are interested in exploring how some of the consulting firms approach strategy, you can visit some of the links identified on the last page of the syllabus.

COURSE GRADE

The major components of the course grade are class participation and a series of group analyses/presentations. Class participation is worth 15% of the final grade and is the major individual component of the grade. Approximately 15% of your grade will be determined by the assessment of your performance in the learning groups. The presentations’ format, timing, and weight are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Assignment</th>
<th>Group Type</th>
<th>Weight</th>
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<tbody>
<tr>
<td>January 14</td>
<td>Book analysis</td>
<td>Reg. teams</td>
<td>15%</td>
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<tr>
<td>January 23</td>
<td>IFCP Case</td>
<td>Reg. teams</td>
<td>10%</td>
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<tr>
<td>January 28</td>
<td>J&amp;J 2010</td>
<td>Five groups</td>
<td>10%</td>
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<tr>
<td>February 4</td>
<td>ILS Case</td>
<td>Reg. teams</td>
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<tr>
<td>February 11</td>
<td>Strategy project write up</td>
<td>Reg. teams</td>
<td>10%</td>
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<tr>
<td>February 18</td>
<td>Strategy presentation</td>
<td>Reg. teams</td>
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Class participation is at the heart of this course. The case method does not work without strong class participation from virtually every member of the class. In my experience, strong participation requires frequent, solid comments in class. You should plan to participate in every class even though this will not always be possible. You should be willing to verbally challenge and be challenged by others in the class. The case method does not work unless people are willing to openly disagree.

Term Strategic Analyses Project: Early in the term, each study group will pick a company you would like to focus on during this trimester. I recommend that you select a publicly traded corporation so that you can access financial information and measure the strategic implications of stock market prices. Suggested forms/format will be distributed in class.
If you are keeping up, by January 28, you should have done the following exercises:

1. Complete the basic calculation of the "new wealth creation metrics" for at least three firms in 'your' industry
2. Complete the "industry discontinuities exercise" for the industry that your team plans to analyze.
3. As a study group, fashion a statement of "strategic intent," vision and mission" for your firm.

By February 11, each study group should have completed and be ready to submit the items listed above along with following exercises:

4. Identify the "core competencies" of CNN (team exercise).
5. Complete the "leveraging core competencies" exercise with your team.
6. Assess your company's strategic performance by using the "strategic innovation score card."
7. Using the Butterfield model (Christensen, HBS 97602), assess the forces that are most responsible for current and future potential success.

**Group Projects** - In order to prepare for the January 28 exercise, you will need to create these five teams on the first day of the term. On January 14, I will ask you to submit a written list of the members of this group, along with the Sector within Johnson & Johnson 2010 you wish to represent. You may request one of these assignments by sending me an e-mail listing your group members, providing your team name, and indicating which of the following groups you would like to analyze:

1. Personal Care Products
2. Over-the-Counter Products
3. Prescription Medicines
4. Profession/Medical Products
5. Diagnostics

The final group activity, **industry analysis/presentation**, will be described during the first week of class and will be due on February 18. In addition to your presentation, please bring two hard copies of your slides for the instructor.

**Book Analysis**: Listed below are nine books that many businesses are finding useful in either creating strategic plans or in implementing a strategic transformation. Each of the regular study groups should choose one to analyze and distribute to the class (January 14). You should prepare a 4-6page document to share with your classmates. You may distribute this in class or electronically. I suggest that you use the summary of *Leading the Revolution* (in your course pack) as a model. Be sure to include your assessment. Books will be assigned on the basis of who requests a particular book first. You may make email requests to me.
For all assignments handed in, please put your Section # and the names of all team members on the first page. Do not use binders or folders. For class presentations, please provide the instructor with a set of your slides at the beginning of class.

COURSE ORGANIZATION

January 7 - Session I: COURSE OVERVIEW

I. WHAT'S HAPPENING TO STRATEGY?

READINGS:- de Kluyver & Pearce, chapter 1


EXERCISE: - 2020 Vision (Forecasting Exercise in class)

CASE: - Shouldice Hospital (HBR 68-3068)

Study Questions – Shouldice

1. Which of Shouldice's options for expansion would you recommend?

2. What has enabled Shouldice to build such a loyal customer base in a distinctively "unglamorous" business?

3. How profitable is Shouldice? How does it compare to other providers?

4. How has Shouldice used leverage to achieve competitive advantage?

January 14 - Session 2: INDUSTRY/ENVIRONMENTAL ANALYSIS

CASE - The Cola Wars Continue: Coke vs. Pepsi in the 21st Century (HBS 9-702-442)

READING - Hamel & Prahalad, Chapters 1 & 4
- de Kluyver & Pearce, chapter 2

ASSIGNMENT: - Book reports due
Study Questions:

1. Why is this industry so profitable?
2. Why do concentrate producers want to vertically integrate into bottling?
3. How has the Coke/Pepsi competition affected the industry's profits?
4. What are the keys to strategic success in this industry?

January 23 - Session 3 FORMULATING STRATEGY
(session moved to accommodate executive speakers)

READINGS: de Kluyver & Pearce, Chapter 4
Hamel & Prahalad

CASE: Medtronic: Vision 2010 A (HBS 9-800-357)

Study Questions:

1. Evaluate the Medtronic vision and the process used to develop it. What challenges must this initiative overcome?
2. On which of the “vision teams” would you have preferred to serve? Why?
4. Evaluate the tools and techniques Medtronic has used to develop its strategy.
5. Evaluate the scenarios developed in this case and their implications for company.

CASE: Strategic Planning at IFCP (RMF)

Study Questions:

1. What do you recommend as “next steps” in developing a strategic planning process at IFCP? Be specific and detailed.
2. Discuss the challenges and relative importance of formulation and implementation.
3. What “tools” would you recommend to formulate the strategic plan?
4. Since this is a “case in process,” what recommendations would you make to the case writer?

January 28 - Session 4 ORTHODOXIES AND INDUSTRY REVOLUTION

CASE: - Amazon.com 2002 (A) HBS – 9-803-098
READINGS - de Kluyver & Pearce, chapter 3
Study Questions

1. Compare the potential of the business model developed by Amazon. Assess the long-term cost implications of both the Amazon and Barnes & Noble business models.

2. Assess the Barnes & Noble response to Amazon and the Amazon’s counter response.

4. Who will be the on-line leader for book selling: Will this “market leadership” prove profitable and defensible?

THE BATTLE FOR THE FUTURE

READINGS: - de Kluyver & Pearce, chapter 5
- Hamel and Prahalad, Chapters 5,6

ASSIGNMENT: - J&J Sector Presentations

CASE: - Johnson & Johnson 2010 (RMF to distribute)

Study Questions:

1. What competitive advantage does J&J have by virtue of being based in the U.S.? Would it be a stronger competitor if it were based in Switzerland?

2. Is that a bold or conservative scenario for Johnson & Johnson? Explain.

3. What are the keys to J&J being as successful as this picture?

*4. What environmental trends must J&J manage or exploit to be this successful?

*5. If you were a member of the Executive Committee for J&J, what recommendations would you make at the forthcoming annual strategic planning session? How much of the $5 billion additional appropriation should your Sector receive? How will this create value for the corporation?

February 4 - Session 5, STRATEGIC INTENT AND MISSION

READINGS: - Hamel & Prahalad, Chapter 7
- de Kluyver & Pearce, chapter 5

ASSIGNMENT: Please submit (electronically) by February 2 your team’s assessment of the ILS plan.

CASE: - Institute for Leadership Studies (RMF to distribute)
Preparation Assignment - ILS:

1. Each study group should e-mail to me your analysis of Burton’s proposal, your recommendation of whether he should proceed and how along with a revised recommendation for acquiring ILS. Be prepared to persuade a group of investors to back your approach. You may be given an opportunity to present your conclusions/recommendations in class.

2. What would you recommend as a statement of strategic intent, vision and mission for the "new ILS"?

COMPETING ON COMPETENCIES

READINGS:  
- HAMEL and PRAHALAD, CHAPTER 8
  - Pine & Gilmore, “Welcome to the Experience Economy”  
    (HBR- 98407, July, 1998)
  - “Common Sense and Conflict: An Interview with Disney’s Michael Eisner” (HBR 3626)

VIDEO CASE:  
“The Wonderful World of Disney Management”

Study Questions:

1. Based on what you know, how would you describe Disney's corporate strategy?

2. What are the key corporate values that Disney management seems to emphasize?

3. What elements of the Disney approach to management are applicable to organizations outside the entertainment industry? Explain.

4. What are Disney’s core competencies?

February 11 - Session 6 TRANSFORMATIONAL TECHNOLOGIES AND LEADERSHIP


CASE  
- BMG Entertainment (HBS 9-701-003)

Study Questions:

1. How has BMG attempted to differentiate itself from it competition?

2. Who is BMG’s primary “customer”? How does the company compete for this customer?

3. How will technology affect the future of this industry?
2. What are the issues/trade-offs in striving for leadership in new technologies or means of distribution?

**READINGS:**  
- Hamel & Prahalad, Chapters 10, 11  
- de Kluyver & Pearce, chapters 6, 8  

**CASE:**  
- GE’s Two-Decade Transformation (HBS 399150)

**Study Questions:**

1. How did Welch maintain the momentum of GE during his 20 year tenure?

2. Is “Number 1 or 2 in Every Market” a strategy or a slogan? What were Welch’s major strategic initiatives?

3. How is value created at the center (headquarters) of GE? Why is this important?

4. As an advisor to Welch’s successor, what recommendations would you make?

**ASSIGNMENT:**  
Hand in Strategy Project

February 18 - Session 7  
**LEADERSHIP AND STRATEGIC CHANGE**

**READINGS:**  
- deKluyer & Pearce, Chapter 9  
- Hamel & Prahalad, Chapter 12  
- Enriquez & Goldberg, “The Life Science Revolution,” HBR, March, 2000,  
- Hitchen & Hitchen, “Mid-laning: Leading A reasonable and Appropriately Balanced Life,” Graziado Business Report,

**CASE:**  
- Hennessey & Harvey Jones…In the Chemical Industry (HBS 9-392-147)

**Study Questions:**

1. Outline the basic strategic initiatives undertaken by Hennessey and Harvey-Jones.

2. How would you assess each of these individuals as a leader and strategist?

3. Why was Harvey-Jones been significantly more successful?

4. Reflect on leaders we have studied. What characteristics do you see that seem to be associated with successful leaders of strategic change?

**FINAL PRESENTATIONS**
Your group will pick an industry to analyze and focus on one company in that industry to examine from the perspective of their future potential for shaping the future evolution of competition. What trends do you think will shape the industry during the next decade? What should be the strategy of "your" firm to respond to these trends? You will have up to 20 minutes for this presentation.

Interesting e-mail sites for strategists:

- www.sba.gov/starting/businessplan.html
- www.hq.nasa.gov
- www.virtual-indiana.com/sms/
- www.strategyclub.com
- www.mindtools.com/planpage.html
- www.bizplans.com
- www.bcg.com
- www.fuld.com
- www.downeast.net/com/drsconsulting/stratplan.html
- www.nmsu.edu/strategic/
- http://strategosnet.com/
- www.mercerme.com/default.htm
- www.geopartners.com/
- http://www.monitor.com/
- www.ceoexpress.com
- www.dukece.com

Small Business Administration
NASA (enter “strategic plan” in search engine)
Strategic Management Association—see links
Strategic Management Club Online—see links
Mind Tools Software
Palo Alto Software
Boston Consulting Group
Fuld & Co. specializes in competitive intellig.
Sanderson Consulting.
New Mexico State University—interesting site
Strategos—Gary Hamel’s firm
Mercer—Adrian .Slywotzky’s firm
GeoPartners—James Moore’s firm
Monitor—Michael Porter’s firm
CEOExpress—great links
Duke Corporate Education