Welcome to our Fall 2002 Strategic Management course!
My vision is to help you to generate world-class, cutting-edge business solutions. The overriding objective of this course is to provide the questions you need to ask to make the right decisions about the future of a business or non-profit organization. Strategic management entails generating choices to be made among competing alternatives to produce a competitive advantage and earn above-average returns.

Rapid technological change, mergers and acquisitions, increasing pressures for globalization, and changing local environments for businesses have heightened the urgency to ask the right questions about the future, such as:

1. Which distinctive competencies should we be developing for our businesses?
2. Where should we compete?
3. How do we communicate our strategy to our stakeholders?

We will indeed be fortunate to have your collective wisdom as well as that of several guest speakers from the business community to help guide us through complex strategic issues.

Learning objectives. The basic objective of this course is to teach you how to think and act strategically. By successfully completing BUS 491, you will learn:

1. What are the interrelationships among the functional areas of an enterprise;
2. How to develop skills in decision-making and oral and written presentation;
3. How to analyze, formulate and implement strategies, especially the role of top management teams in performing these activities.

By the end of the course, you should be able to analyze thoroughly a company, its industry and its competitors and to recommend a well-supported strategy to your Board of Directors.

Course description. This course in business policy focuses on integrative, multifunctional approaches to the solution of organizational issues and problems. A practical perspective, rather
than a merely theoretical one, is stressed via discussion of case studies. Why use a case-study approach? Three levels of learning take place:

1. We share the generalized insights of leading theoreticians;
2. We test the applicability and limits of these theories to specific case studies; and
3. You develop your own special amalgam of insights based upon empirical observations and inductive reasoning (from case analyses).

How are cases used in BUS 491?

• As discussion vehicles for probing the benefits and limits of certain approaches;
• To provide class members with opportunities to apply and test concepts and tools related to dimensions of management thought (e.g., marketing, accounting, finance);
• To help you to understand the nature of “better” answers, as well as the complexity of reaching solutions and implanting them in organizations.

What do you—as class member—need to do? First, understand what went on in that situation:

• What has changed?
• What are the key questions about the future that need to be answered?
• What further information is needed to answer those questions?

Major emphasis is placed on action and implementation, not just on analysis. Each case features a top management team (TMT) facing a specific set of issues and problems. So, during the course, you will have an opportunity to see a wide range of TMTs in action, and to think about their specific choices and actions as if you were the TMT in charge.

This course calls on you to integrate concepts of all other prerequisite business courses, i.e., bringing together and applying the learning from core courses to the analysis and solution of strategic management problems. The course is intended to enhance the following skills:

1. Your ability to decipher detail and to analyze information in order to identify and to diagnose the major problems and opportunities confronting business organizations;
2. Your ability to take a cross-functional, top management perspective in developing feasible overall strategies as well as specific problem solutions;
3. Your ability to decide from among alternative courses of action and to formulate feasible plans for their implementation;
4. Your ability to present a position and to defend it.

Study groups. Please form study groups consisting of two or three members, meeting regularly to discuss the cases and readings before they are discussed in class. The aim of these groups is to share and critique individual analyses, prepare team issue briefs, class presentations, final examination papers and to enhance class participation. Each week, class time will be set aside for meetings; as the course progresses, you may find it necessary to spend several hours meeting outside of class.
Class participation. You should come prepared for class discussion of cases and supplemental readings, that is, with an outline or condensation of your case analysis, stating your perception of the underlying problem, some supportive data, and your recommended plan(s) of action. Bear in mind how difficult it is to assess your participation if you are absent from class! Your class participation grade will be based on: 1) evidence of careful preparation of the cases and readings; 2) clarity and conciseness of your analysis; and 3) strong and convincing presentation of your findings and conclusions. Guidance for class participation is on p. 11.

Performance evaluation. Strategic issues seldom have clear-cut or singularly “right” solutions. This means that my evaluation of your performance will be based upon your managerial aptitude in problem diagnosis, generation of solutions, and communication of your position. I will be looking for demonstration of logical argumentation and consistency in your thought processes. Grades will be based on your performance in (a) oral discussion and argument (defense) of your ideas and (b) written communication. These will be weighted as follows:

- Class preparation, attendance & participation............................................30%
- Written case analysis [issue briefs, see Course Calendar, pp. 4-8].............30%
- Written final examination [due in class, 12/16, 5 p.m.].............................40%

Total .............................................................................100%

Written case analyses. In order to create opportunities for us to explore more basic strategy issues and discuss methods of formulation and implementation that might otherwise have to be rushed, we will be using an electronic submission format for Issue Briefs. Submit case analyses as a MS Word file attachment to me at gilinsky@sonoma.edu with the subject line and Word document file name reading <CaseAbbrev.lastname.doc> (e.g., for Robin Hood, RH.Gilinsky.Doc). All issue briefs should be prepared by your study group team. Use the following format:

1. Indicate your key case decision (what the GM needs to do now and why);
2. Support your decision by three (3) bullet points;
3. Add any qualitative and/or quantitative comments/discussion which you feel is/are necessary to substantiate your analysis. (1-2 page limit)

Do not answer the study questions! Study questions (see Course Calendar) are intended to get you thinking about the issues in the case and to lead you through the process of analysis. Issue Briefs are due by 8:00 a.m. on class days for which Issue Briefs are assigned (see Course Calendar, below). Timely submission of case analyses will facilitate review of your work as well as a summary of the section’s qualitative/quantitative comments. You should always keep a hard copy of your Issue Brief for yourself and bring this to class. Your Issue Brief will serve as a personal document from which you could lead a class discussion. Acceptable Issue Briefs are given a “check,” which is roughly equivalent to a “B” grade. Unacceptable or late submissions will be assigned a “check minus,” roughly equivalent to a “C” grade. Issue Briefs not submitted on the date due for any reason will be assigned an “F” grade. An outstanding effort will receive a “check plus,” roughly equivalent to an “A” grade. Grading and coaching comments on your Issue Briefs will be returned to you as soon as possible.
Final examination. The final examination will consist of a written case analysis and a presentation by selected members of the section. The final examination will give you the opportunity to write a lengthier case analysis and will be assigned a letter grade. Because the case studies tend to increase in complexity over the semester, written assignments due in the latter part of the course are weighted more heavily than those at the beginning. Guidance for case analysis and for the final examination is on pp. 9 & 10.

COURSE CALENDAR

Week 1 — Monday, September 9, 2002
Topic: What is Strategy?
Read: Syllabus (handout)
Watch and listen: Intro lecture, Dead Poets' Society (video, in class)
Participate and do: Core Purpose & Values Exercises (see pp. 12–13)
Class cards

Week 2 — Monday, September 16, 2002
Topic: Building Teams
Prepare: Your résumé and class cards (turn in hard copy at the beginning of class)
Watch and discuss: “Frog’s Leap Winery” (video case, in class)
Do: Manager’s Toolkit Exercise (in class)
Choose study group partners
Meet in study groups to prepare RH case due next week

Week 3 — Monday, September 23, 2001
Topic: Framework for Analysis
Prepare: T&S, Ch. 1 and pp. C-2—C-16 (Guidelines for Case Analysis)
Case: “Robin Hood” (T&S, C-477)
Issue brief due from each study group
Participate and do: Class discussion

Study questions for the RH case:
1. What is the key decision that Robin needs to make now?
2. Why is he trying to accomplish?
3. How would you rate his performance as leader/strategist? What is he doing well? not so well?
4. What options are available to him now?
5. What do we learn from this case about strategy?

Week 4 — Monday, September 30, 2001
Topic: Assessing a Firm’s Financial Health
Prepare: “A Note on Assessing the Financial Health of the Firm” (download from instructor’s web site)
Case: “Kalari Burns”
Participate and do: Prepare financial ratios for the Kalari Burns case.
Review financial ratio analysis & class discussion.
Meet in study groups to prepare AVON case
Week 5 — Monday, October 7, 2002
Topic: The Leader as Strategist
Prepare: T&S, Ch. 2
“A Note on Assessing the Financial Health of the Firm” (course packet)
Case: “Andrea Jung’s Makeover of Avon Products, Inc.” (T&S, C-17)
Issue brief due
Participate and do: Case discussion
Meet in study groups to prepare MBC case.

Study questions for the AVON case:
1. What is your assessment of Andrea Jung’s performance as chief strategist at Avon Products?
   What grade would you give her?
2. What is Jung’s strategic vision for Avon Products?
3. How would you assess her objectives for Avon Products?
4. What has Avon Products’ strategy been in the past and how is it changing now?
5. What future challenges do you foresee for Andrea Jung and Avon Products?

Week 6 — Monday, October 14, 2002
Topic: Industry and Competitor Analysis
Prepare: T&S, Ch. 3
Case: “Mendocino Brewing Company—1996” (case download)
Issue brief due
Participate and do: Case discussion
Meet in study groups to prepare ZAP case

Study questions for the MBC case:
1. How would you rate the attractiveness of the beer industry?
2. What does a Porter “5 Forces” (see T&S p. 79) analysis reveal about the competitive forces in this industry?
3. What should be MBC’s strategy given its desired position in the industry?
4. Where is special attention needed for greater future success?
5. How should Laybourn and his team proceed?

Week 7 — Monday, October 21, 2002
Topic: Evaluating Strategy from an Internal Perspective
Prepare: T&S, Ch. 4
Case: “ZAP and the Electric Vehicle Industry” (T&S, C-95)
Issue brief due
Watch and discuss: Team presentations & mini-lecture on the Resource-Based View of Strategy
Meet in study groups to prepare Elan case

Study questions for the ZAP case:
1. In which market or markets does ZAP compete?
2. Describe and evaluate ZAP’s marketing strategy.
3. Prepare a top-line (sales) forecast for ZAP of bicycle and scooter sales volumes and the associated revenue for each of the next ten years. Clearly state your assumptions with regard to its U.S. and Global market penetration rates and the probable reactions by its competitors. (Hint: Create a table that lists minimum, maximum, and expected sales over the ten-year period.)

4. Perform an analysis of the electric vehicle (EV) industry. Identify and use one or more tools for industry analysis to support your conclusions.

5. Based on the above analyses, how would you advise Starr and his team to proceed? Generate and evaluate his long-range strategic alternatives against a stated set of goals and objectives. Discuss how the chosen alternative should be implemented.

**Week 8 — Monday, October 28, 2001**

**Topic:** Strategy and Competitive Advantage

**Prepare:**
- T&S, Ch. 5 & 8
- Case: “Elan and the Competition Ski Boat Industry” (T&S, C-153)

**Issue brief due**

**Participate and do:** Class discussion & team presentations

Meet in study groups to prepare SAB case

**Study questions for the ELAN case:**

1. What are the elements of Elan’s strategy? How easy are these for rivals to copy? Use the five generic strategies in T&S Ch. 5 to guide your analysis.

2. What are Elan’s distinctive competencies? How well does it stack up against its competitors”? Has Elan tailored its strategy to fit the situation? (Hint: see T&S Ch. 8)

3. How would you assess Elan’s financial performance?

4. How would you advise Ben Favret to proceed?

**Week 9 — Monday, November 4, 2002**

**Topic:** Strategies for Globalization

**Prepare:**
- T&S, Ch. 6
- Case: “South African Breweries” (T&S, C-447)

**Issue brief due**

**Participate and do:** Class discussion & team presentations

Meet in study groups to prepare UNI case

**Study questions for the SAB case:**

1. How would you describe the key characteristics of the global beer industry? How do the characteristics of the global beer industry inhibit or promote competitive rivalry?

2. How did SAB choose to compete in the beer industry? Describe the key elements of its strategy. How successful has SAB been in its domestic and international markets?

3. Which international markets appear to be most attractive for SAB? Should the company pursue a multi-country or global approach to international competition?

4. What recommendations would you make to SAB regarding its immediate and long-range plans to compete in the global beer industry?
Week 10 — Monday, November 11, 2001
Topic: Strategies for Diversification
Prepare: T&S, Ch. 9 & 10
Case: “Unilever’s Acquisitions of SlimFast, Ben & Jerry’s, and Bestfoods” (T&S, C-470)

Issue brief due
Participate and do: Class discussion & team presentations
Meet in study groups to prepare CA case

Study questions for the UNI case:
1. Describe Unilever’s Path to Growth strategy.
2. Evaluate Unilever’s Path to Growth strategy.
3. What are some key factors for successful diversification? How attractive is Unilever’s position?
4. How would you assess Unilever’s competitive strength against its rivals?
5. How would you advise co-chairmen FitzGerald and Burgmans to proceed with future diversification?

Week 11 — Monday, November 18, 2001
Topic: Implementing and Executing Strategy
Prepare: T&S, Chs. 11 & 12
Case: “Gordon Bethune and the Turnaround of Continental Airlines” (T&S, C-630)

Issue brief due
Participate and do: Class discussion & team presentations
Meet in study groups to prepare eBay case

Study questions for the CA case:
1. How would you evaluate Continental Airlines’ progress thus far under Gordon Bethune?
2. What are the critical factors for success in the U.S. airline industry? How well has Continental Airlines succeeded in assembling the resources and capabilities necessary to compete?
3. What resources are needed to implement Continental Airlines’ strategy in the future?

Week 12 — Monday, November 25, 2001
Topic: E-Commerce Strategies
Prepare: T&S, Ch. 7
Case: “eBay in 2000: The Challenges of Sustained Growth” (T&S, C-356)

Issue brief due
Participate and do: Class discussion & team presentations
Meet in study groups to prepare MBA case

Study questions for the eBay case:
1. Describe eBay’s business strategy. How successful has the strategy been so far? (Hint: examine both stakeholder satisfaction and the resource-based view of strategy.)
2. Describe and evaluate eBay’s E-commerce strategy. (Hint: consider timing, profitability, possible competitor retaliation, and financial issues.)

3. What strategic actions would you recommend to Margaret Whitman? (Hint: lay out the options and discuss the pros and cons of each.)

**Week 13 — Monday, December 2, 2002**

**Topic:** Crisis Management and Social Responsibility

**Prepare:**
- T&S, Ch. 13
- “A Note on Corporate Social Responsibility (download from website)
- Case: “MBA Polymers, Inc. (A)” (download from website)

**Issue brief due**

**Watch and discuss:**
- Class discussion & mini-lecture on Corporate Social Responsibility
- Videos on MBA Polymers
- Hand out final examination

Study questions for the “MBA Polymers Inc. (A)” [MBA] case:

1. Prepare MBA’s response to the events of October 26, 2000. How would you advise management to handle the situation and its aftermath?

2. Evaluate MBA’s competitive strategy in light of the forces shaping the emerging plastics recycling industry. Is this an attractive industry? Does MBA possess any competitive advantages?

3. Can MBA be considered a “socially responsible” company? Why or why not?

**Week 14 — Monday, December 9, 2001**

**Topic:** Final Examination case (TBA)

**Participate and do:**
- Teams meet & work on Final Examination

**Week 15 — Monday, December 16, 2002**

**Topic:** Course Wrap-Up and Student Evaluations

**Prepare:**
- Final Examination (Case TBA)
- Written take-home final examination due in class at 5:00 p.m.
Suggested Guidelines for Approaching a Case

In approaching a case, keep in mind that there is no single, right solution. Each case describes a complex situation and there may be a number of equally valid analyses. Try to put yourself in the place of the person or team who is facing the problem(s) and who is required to make decisions and act. You may want to consider the following factors in your analysis. This list below is far from complete, but I hope it will be a helpful start.

1. What is the problem—or problems? You may want to list the problems and prioritize them. Are these problems short-term, long-term, new, chronic, etc.?

2. What is the time framework? How urgent is the situation?

3. What is the kind of organization is this? Who are the key people involved? What are the key relationships?

4. Which industry, competitive, technological, demographic, economic, and regulatory trends are significant? How do they influence the current situation? How do they influence future action?

5. What financial information is important (costs, cash flow, margins, etc.)? How do these data impact your analysis and recommendation?

6. What are the significant marketing considerations? What is the product or service? Who is your market or target customer? How do you price, promote, distribute?

7. What are the significant production/operation considerations? How and where do you produce? Are operations labor-intensive? capital-intensive? What lead times are required?

8. What are the key human resource issues? How do training, motivation, organization culture, expectations, etc. impact on your course of action, particularly in its implementation?

9. What business are you in? What is the organization’s strategy? Is it consistent across functions? What are the risk of/potential rewards from retaining this strategy?

After analyzing the case, generate as many solutions as you deem appropriate. Consider the risks/tradeoffs involved in each alternative and then decide what you would do in the situation and why. What is your plan of action? (be specific) How are you going to implement it? (be specific). Be prepared to support your recommendations, but remain open to different, possibly better ideas.
Final Exam Format and Content

Suggested guidelines for the written final exam are as follows:

Summary & preview. Present a very brief overview of the managerial problem to be solved or challenge to be mastered. Consider the context in which a decision needs to be made, and actions taken. Develop a situation analysis, consisting of a brief (4 to 5 sentence) statement of the organization’s mission, generic and subsequent strategies, and present state of affairs. Follow this with a statement of the conclusion or recommendation that will be proposed. Front-load your writing! Keep in mind that you are asked to take the perspective of the General Manager.

Industry/environmental assessment. Describe and analyze the major factors, characteristics, or trends external to the organization which bear upon the strategic issues in question.

Organizational characteristics. Summarize the strategy being pursued by the organization and its resulting strengths and weaknesses in relation to its competitors and/or external environment.

Strategic problems/issues. As a result of the analyses in the two preceding sections, certain significant potential opportunities and threats facing the organization should begin to emerge.

Reasonable alternatives to consider. From among the strategic issues identified in the preceding section, develop a range of feasible strategies or plans of action. Show how alternative strategies may be ranked across a risk-reward spectrum. What are the tradeoffs? Careful assessment of proposed actions and potential outcomes lends credibility to your argument. Typically, the best papers are those that do a superior job of generating/evaluating alternatives.

Identification and implementation of selected strategy. The most desirable alternative from the preceding section should be elaborated in sufficient detail to let your reader know what is to be done and why. Explain the interdependencies among facets of the strategy and offer some indication of the economic, competitive, and environmental consequences over time. What are some of the issues to be addressed in implementing the proposed strategy? Consider feasibility, cost, resource needs, timing, and fallback position(s).

Conclusion/next steps. Briefly summarize and re-state the central issues covered in your analysis. Let your reader know what you expect to be done next to follow-up your analysis and recommendations.

Supporting calculations/documentation. Prepare evidence to support the arguments you are making. Exhibits such as tables, diagrams, charts, graphs, etc. should be numbered consecutively and referred to in the body of your analysis. Original (i.e., library) research and production of visual aids typically distinguish good from mediocre papers. Caveat: avoid reproduction of published data, articles, etc. A good rule of thumb is: do not use an exhibit unless it is the result of original thinking and analysis (e.g., number-crunching, summation, or visualization).
Suggested Guidelines for Class Participation

Your contributions to class will be evaluated on the basis of the following:

1. an understanding and appreciation of case facts;
2. analysis of case data through the use of functional area techniques and general management concepts in the readings; and
3. recommendations for management decision and action which arise from analysis.

My assessments of your participation will be made on the basis of your attendance and preparedness for class, your responses to questions that arise in dialogues, as well as your voluntary participation. Below is a checklist to help you evaluate and improve your effectiveness in class discussions:

___ Are you a good (active) listener? Are the points that you are making relevant to the discussion? Are they linked to the comments of others? Are you willing to interact with other class members?

___ Have you demonstrated an ability to suspend judgment?

___ Do you show an ability to ask good questions (inquire and reflect)?

___ Are you willing to challenge assumptions?

___ Do your comments add to our understanding of the situation? Do they move us forward (as opposed to making a “chip shot”)?

___ Do your comments show evidence of analysis of the case (case preparation)?

___ Do you distinguish among different kinds of data such as facts, opinions, beliefs, concepts, etc.?

___ Do you demonstrate a willingness to share knowledge?

___ Are you willing to test new ideas, or are all comments made "safe"? (An example of a "safe" comment is repetition of case facts with no analysis or conclusions.)

___ Do your comments clarify and highlight the important aspects of earlier comments and lead to a clearer statement of the concepts being covered?
Core Purpose Exercise

I. The “Empire’s DeathStar” game

Suppose you could sell your business to someone who would pay a price that everyone inside and outside the company agrees is more than fair (even with a very generous set of assumptions about the expected future cash flows of the company). Suppose further that this buyer would guarantee stable employment for all your employees after the purchase—but with no guarantee that those jobs would be in the same industry. Finally, suppose you were to learn that the buyer plans to kill your company after the purchase: its products and/or services would be discontinued, its operations would be shut down, its brand names would be shelved forever, etc. Your company would utterly and completely cease to exist. Would you accept this offer? Why or why not? What would be lost if your company were to cease to exist? Why is it important that your company continue to exist?

II. The “I Won the Lottery” game

You are a top level manager in your organization. Suppose you woke up tomorrow morning and discovered that you suddenly had enough money in the bank to retire—comfortably. Would you nevertheless keep working for this organization? What deeper sense of purpose would motivate you to continue to dedicate your precious time and creative energies to this company’s efforts?
OUR VALUES

The most important thing in life is to decide what is most important.

What should our organization, department, unit, or team stand for? What should be the values by which we operate? Look over the list of values below. Circle any values that “jump out” because of their importance to you. Then write your top three values, in order of importance, below the list. Feel free to add values, if needed.

truth  persistence  resources

efficiency  sincerity  dependability
initiative  fun  trust
environmentalism  relationships  excellence
power  wisdom  teamwork
control  flexibility  service
courage  perspective  profitability
competition  commitment  freedom
excitement  recognition  friendship
creativity  learning  influence
happiness  honesty  justice
honor  originality  quality
innovation  candor  hard work
obedience  prosperity  responsiveness
financial growth  respect  fulfillment
community support  fairness  purposefulness
integrity  order  strength
peace  spirituality  self-control
loyalty  adventure  cleverness
clarity  cooperation  success
security  humor  stewardship
love  collaboration  support

1. __________________________________________________________________________
2. __________________________________________________________________________
3. __________________________________________________________________________