COURSE OUTLINE


BUS 491W cases (handouts or download from the instructor’s website)

Welcome to our Spring 2003 Strategic Management (Wine) course!
My vision is to help you to generate world-class, cutting-edge business solutions for the wine industry. This course is also intended to serve the mission of the Wine Business Program: to develop knowledge, people, and programs to serve the needs of our students, wine businesses and related support businesses. Whether or not you plan to pursue a career in the wine industry, the overriding objective of this course is to provide the questions you need to ask to make the right decisions about the future of this or any industry.

Recent mergers and acquisitions, increasing pressures for globalization, and changing local environments for wine businesses have heightened the urgency to ask the right questions about the future of the wine industry, such as:

- Which distinctive competencies should we be developing for our businesses?
- Where should we compete?
- 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 wine industry 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 491W, 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 491W?

- 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 and to enhance class participation. Each week, class time will be set aside for meetings; as the course progresses, you will find it necessary to spend several hours meeting outside of class.

**Class participation.** Attendance will be taken. Each student is permitted one (1) unexcused absence. It is difficult to evaluate your contributions if you do not show up! 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 [see p. 11] | 30% |
| Written case analysis [issue briefs, see Course Calendar, p. 5] | 30% |
| Final examination [due in class, 5/26, 5:00 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 both the subject line and Word
document file name reading <CaseAbbrev.yourlastname(s).doc> (e.g., for Robin Hood,
RH.Gilinsky.doc). All issue briefs except the Robin Hood case and the take-home final
examination 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, p. 4). 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 individual
students the opportunity to write a lengthier case analysis and will be assigned a letter grade. Written assignments due in the latter part of the course are weighted more heavily than those at the beginning. Guidance for the final examination is on pp. 9 and 10.

COURSE CALENDAR

Week 1 — Monday, February 3, 2003
Topic: What is Strategy?
Read: Syllabus (handout)
Watch and listen: Intro lecture; Dead Poets' Society (video, in class)
Do: Sign attendance roster; pick up class cards and course outlines

Week 2 — Monday, February 10, 2003
Topic: Building Teams
Prepare: Your résumé (turn in hard copy w/class card & photo)
T&S, Chapter 1; Core Purpose & Values Exercises (pp. 12-13)
Watch and discuss: “Frog’s Leap Winery” (video case, in class)
Do: Manager’s Toolkit Exercise (in class); Core Purpose & Values Exercises

Week 3 — Monday, February 17, 2003—President’s Day Holiday (no class)

Week 4 — Monday, February 24, 2003
Topic: Framework for Analysis
Prepare: T&S, Ch. 2
Case: “Robin Hood” (T&S, Case 25, C550)
Issue brief due
Participate and do: Class discussion & choose study group partners

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

Week 5 — Monday, March 3, 2003
Topic: Financial Ratio Analysis
Prepare: T&S, “A Guide to Case Analysis” (C-2 – C-16)
“A Note on Assessing the Financial Health of the Firm” (download)
Participate and do: Class discussion of financial ratios and their implications for strategy

Study questions for the financial ratio (Kalari Burns) case: [note: no written assignment due]
1. Is this a financially well-managed firm?
2. How do you know?
3. Rate the importance of the contexts in which financial analyses are conducted.
Week 6 — Monday, March 10, 2003
Topic: Industry and Competitor Analysis
Prepare: T&S, Ch. 3 [note: pay special attention to pp. 76-99]
Issue brief due
Guest speaker: David Freed, Chair, Wine Vision Global Task Force

Study questions for the “Competition in the Global Wine Industry” [WINE] case:
1. How would you rate the attractiveness of the wine industry?
2. What does a Porter “5 Forces” analysis reveal about the strength of competitive forces in the wine industry?
3. Where are the future challenges and opportunities in the global wine industry? What position should California-based wineries seek? How do you know?

Week 7 — Monday, March 17, 2003
Topic: Social Responsibility and the Wine Industry
Prepare: T&S, Ch. 13; “A Note on Corporate Social Responsibility” (download)
Case: “E. & J. Gallo Winery” (T&S, Case 13, C-263)
Issue brief due
Watch and discuss: Class discussion & mini-lecture on Corporate Social Responsibility
Guest: TBA

Study questions for the “E. & J. Gallo Winery)” [EJG] case:
1. How would you advise Gallo’s management to proceed with respect to the dessert wine business? What will be the impact on its stakeholders if Gallo opts to exit from this segment?
2. Evaluate Gallo’s competitive strategy in light of the forces shaping the wine industry. Does Gallo possess any competitive advantages?
3. Can Gallo be considered a “socially responsible” company? Why or why not?

Week 8 — Monday, March 24, 2003
Topic: Evaluating Strategy from an Internal Perspective
Prepare: T&S, Ch. 4
Case: “Robert Mondavi Corporation” (T&S Case 12, p. C-246)
Issue brief due
Watch and discuss: The Resource-Based View of Strategy
Guest: TBA

Study questions for the “Robert Mondavi Corporation” [RMC] case:
1. What are the key drivers for success in the global wine industry?
2. Evaluate RMC’s resources and capabilities in terms of value, rareness, difficulty for competitors to copy, and sustainability. What are RMC’s core competencies?
3. How should RMC build on its resources and capabilities in the future? For example, what are the pros and cons of pursuing strategic partnerships v. acquisitions?
4. How would you advise Michael Mondavi to proceed? For example, should RMC build additional domestic wine producing capacity or allocate its resources towards globalization? How do you know?

**Week 9— Monday, March 31, 2003—César Chavez Day Holiday (no class)**

**Week 10— Monday, April 7, 2003—Easter Break Holiday (no class)**

**Week 11— Monday, April 14, 2003**

**Topic:** Competitive Strategy in the Wine Industry

T&S, Chapter 5

Case: “RJM Enterprises, Inc.—Romancing the Vine” (course packet)

*Issue brief due*

**Guest:** TBA

Study questions for the “RJM Enterprises Inc.—Romancing the Vine” [RJM] case:

1. What is Ron McManis’s strategy in the wine industry?
2. What are the concepts of the various businesses that he has identified? What other businesses might he have overlooked which would achieve his objectives? How can McManis escape the power of the customer by vertically integrating?
3. What do you make of the financial analyses prepared by the consultant, Jim Ford?
4. If you were Ron McManis, what would you do? Justify your strategy!

**Week 12— Monday, April 21, 2003**

**Topic:** Wine Industry as a Career; Best Practices in the Wine Industry

**Read:** T&S Chs. 11 & 12; Careers in the Wine Industry (handout); Gilinsky et. al., “Best Business Practices in the Northern California Wine Industry” (handout)

**Do:** Interviews with Wine Industry Professionals

*Interviews due: counts as one issue brief*

**Interview guide:**

In lieu of an issue brief this week, each study group team must identify, contact, and arrange to interview three (3) wine industry professionals. Your write-up of each interview should be no more than one (1) double-spaced and typed page. Your interviews should cover the following four (4) questions:

1. How did you discover your personal opportunity in the wine industry and to act on it (and what or who encouraged you or deterred this)?
2. Do you see yourself fitting the stereotypical profile of a wine industry professional (or do you see yourself in any different light)?
3. What do you consider to have been the critical success and failure factors for your business in the wine industry? For what reasons?
4. How would you describe the best practices for competing in the wine industry?

**Week 13— Monday, April 28, 2003**

**Topic:** Globalization Strategy
Study questions for the “Brown Forman Wine Estates” [BFWE] case:
1. Use Porter’s Five Forces and SWOT analysis to assess the attractiveness of the wine industry and prioritize the strengths, weaknesses, opportunities and threats for BFWE’s businesses.

2. Based on the textbook readings on globalization, is BFWE well positioned to compete globally? Should Steve Dorfman pursue a global v. multi-country strategy to compete successfully in the future?

3. How would you advise Steve Dorfman to proceed? For example, would you advise him to pursue further acquisitions or divestitures?

Week 14—Monday, May 5, 2003
Topic: Evaluating the Strategies of Diversified Companies
Prepare: T & S, Chs. 9 & 10; Reading on Corporate Diversification and Synergy
Case: “Diageo plc” (download)
Guest: TBA

Study questions for the Diageo plc (DEO) case:
1. Interrelationships among businesses in a portfolio imply shared assets, activities, inputs, customers, and industry rivals. Evaluate Diageo’s progress using the readings on corporate diversification and synergy. Is it taking advantage of the potential interrelationships? Please explain.

2. Based on the textbook readings and the literature on diversification, should Diageo’s businesses be more tightly grouped or more loosely grouped? What are the pros and cons of a tighter vs. more separate grouping? (10 minutes)

3. How would you advise Ray Chadwick to proceed to achieve greater synergies and balance among Diageo’s portfolio brands? Which businesses in the portfolio are net cash generators, net cash users, or balanced? If there are any imbalances, would further acquisitions or divestitures be advisable? (20 minutes)

Week 15—Monday, May 12, 2003
Topic: “Harvest” Strategies for Wine Businesses
Prepare: T&S, Chapter 8; carefully review financial ratio analysis handout
Case: “Stone Creek Vineyard 2000” (download)
Guest: TBA

Study questions for the “Stone Creek Vineyard 2000” [SCV] case:
1. What are the financial challenges being faced by the Stone sisters?
2. Evaluate the operating and financial performance of Stone Creek Vineyards over the past five years. Perform a complete ratio analysis for Stone Creek. Why has Stone Creek needed external financing in the past five years when profits have been positive and margins have been expanding? How were those needs met in the past?

3. Would you, as Mr. Serrano from Wells Fargo Bank, make the currently proposed loan?

4. Is Mr. Malone’s offer of $11 million for the entire company a reasonable one?

5. How would you advise Sally and Nancy Stone to proceed? Do their leadership styles match Stone Creek’s situation? Does their strategy match the situation?

Week 16—Monday, May 19, 2003
Topic: Teams work on take-home Final Examination

Week 17—Monday, May 26, 2003
Prepare: Final Examination (case TBA)
Written take-home final examination due in class at 5:00 p.m.

Guest: TBA
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 Top Management Team (TMT).

*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).
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.

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

1. __________________________________________

2. __________________________________________

3. __________________________________________