Business Strategy  
COURSE NUMBER: MGMT 692-851

Fall 2004  
Instructor: Bill Rapp  
Office: CAB 3020  
Telephone: 973-596-6414  
Fax: 973-596-3074

Email: rappw@adm.njit.edu  
Website: http://web.njit.edu/~rappw

Class Times: Distance Learning  
Office Hours: Tuesday 2:30-5:00 p.m.  
By appointment

Course Overview
Business Strategy is a senior level capstone Course. A capstone course integrates what you have learned in other functional area courses so far. The course takes the perspective of strategic managers and evaluates conceptual tools managers use to make decisions in their companies especially in a global context. We also consider processes through which decisions are made in other organizations though emphasis is on large companies in the so-call Triad countries of North America, Europe and Japan.

Case studies reflect the integration of managerial principles and functional disciplines. Cases require students to apply strategies to diverse situations across a variety of firms by industry, size and geography ranging from successful to less successful. In addition, there is the option to use a computer simulation game that will offer students a hands-on experience of making strategic decisions and realizing the impact of decisions in a competitive market place.

This course requires students spend several hours outside of class to complete it especially as it is taught on a distance learning basis that requires students to keep pace with the course.

Course participation requires not just knowledge of the material, but also critical and creative thought regarding applying this knowledge within specific situations and then discussing and explaining this with other students on-line.

Outcomes: Upon completion of this course students should have advanced and integrated their skills in several important management areas listed at the end of this syllabus and covering:

Analytical, Communication, and Ethical Outcomes

Interpersonal and Team Dynamics, The Technology/Business Interface, Technology Skills

Globalization
SYLLABUS

MGT 692-851 (MBA) - Fall 2004

(Bill Rapp)

Optional Face-to-Face meetings are as scheduled in
SoM Leir Conference Room on 3d Floor of CAB

BUSINESS STRATEGY

THIS COURSE IS A DISTANCE LEARNING COURSE

This is an intensive focused capstone course on corporate strategy and assumes students have completed basic courses on global business, economics, marketing, organization and accounting. Because it is will be taught on a distance-learning basis it is critical students read this syllabus thoroughly and complete the assignments on a timely basis. If you do not think you can follow the prescribed schedule, complete the assignments on time and regularly participate in the on-line asynchronous discussions, please do not take this course!

Keeping current is very important because the course emphasizes a comprehensive analytical approach to strategic management that will develop in complexity over time and will compare industries and companies in a related and sequential basis. This contrasts to looking at strategy through a series of discrete cases where one develops a mission statement and list of corporate goals and then examines their implementation by the organization. Further it goes beyond the concept of strategy as just dependent on finding a better way of disseminating information within the firm or with customers and suppliers.

That is while management’s objectives in formulating strategy should include controlling related costs as well as information sharing, their goals should address as well certain issues unique to each firm’s industry and competitive situation. Because each company has its individual set of economics, influential institutions, and competition, its strategy to irrevocably allocate resources must be tailored to these considerations including the available technologies. At the same time the principles and approaches used to develop and assess such strategies share many commonalties. So ideas and information used to examine one case will often apply when looking at the next situation.

For example, changes or events impacting a firm’s competitive situation can now affect its policies worldwide. Due to globalization there have been discrete and systematic changes in various industries’ markets, technology and related government policies over the last several years that have all interacted to influence their mutual development as well as to stimulate the emergence of special factors that affect specific firms and industries in different ways. Large and small companies are all participants in these industries and their actions have influenced the evolution of strategies that have both near and long-term competitive impacts on firms globally as well as on their industries and related technologies.
Class participants will be expected to prepare material on the companies and industries examined in the various cases and to discuss these on-line with other members of the class with an emphasis on understanding firm motivations, objectives, and strategies within a worldwide industry context and from a specific firm’s perspective. The interaction between corporate strategies and these companies’ investments (including both physical and HR) and business activities in various countries and geographic regions will be an important element in these discussions, your presentations and your written assignments. The goal for all students is to better appreciate the factors affecting these businesses and their approach to using different resources in the competitive environments where they operate as well as to closely examine how evolving trends can influence a firm’s strategic direction within a particular industry.

Therefore class time will be spent primarily assessing specific businesses and their corporate strategies within this context to learn how to separate strategies, trends and events affecting only the firm from those impacting an industry, a market specific segment, or all businesses generally. The analysis will also assess to what extent each global business is part of a larger class of businesses: e.g. global banking as an aspect of international finance (including insurance and investment management) or autos as part of the transportation equipment, machinery and machine tool industry.

This type of analysis will help students appreciate these firms’ impact on their global industries or specific market segments in addition to their motivations in providing certain products and services to their clients or sourcing from certain suppliers while using various means to support these initiatives. Knowing the factors that are industry specific and those can be extended to other situations is key to understanding strategy formulation and its subcomponents.

The course combines history, theory, and casework to provide an integrated perspective regarding the strategies and approaches to implementing those strategies that specific firms have used and are using to compete in selected business environments. The class will also examine how these approaches have evolved and how different technologies have become and currently are important aspects of this activity.

The lectures, readings and on-line class discussion will emphasize the competitive dynamics behind the enormous technical and structural changes in these firms’ business environments during the past several years and the adjustments this has necessitated in their management thinking on a range of issues that are continuing to impact them. Further, there will be an emphasis on analyzing and explaining how the firms have used or not used organizational initiatives in an integrated manner as part of this process. To highlight these changes the readings and assignments generally focus on business competition involving large companies and the factors that influence them. However, the basic principles illustrated, such as using personnel training or IT to enhance core competencies and create competitive barriers to entry apply equally to smaller organizations and are really independent of time, space and culture as well.

Financial and investment issues from this perspective are key to understanding a firm’s real strategy since they show what management is actually doing in terms of allocating resources as opposed to what they may be telling the media or their various stakeholders. For example, a dollar invested in Asia, a new technology or IT is one not available for other uses and so should meet the same return on capital criteria the firm applies to other investments such as training or a
new corporate jet. Similarly if one believes there may be a change in technology or economic circumstances such as exchange rates, one may want to postpone making a decision while still valuing in some way both the strategic benefit and potential cost of that delay.

The course will definitely take a global perspective since actions by foreign governments or movements in foreign exchange can influence where one might decide to make an investment or sell a product or service. However, because we only have time to explore in depth a limited number of geographic regions and industries, class emphasis will be on major industries and players within those industries, or primarily large firms from the so-called “Triad” of Japan, Europe, and US.

But time will be spent assessing the strategic developments pursued or influenced by non-US as well as US corporations in terms of firm organization, managerial behavior, and competitive orientation to show that the US does not monopolize or dominate this activity across the board even in the US market. The importance of understanding and analyzing other global competitors and their strategies cannot be over-emphasized. Indeed, in many industries such as automobiles or consumer electronics a US firm’s strategic options are now being constrained and influenced by foreign competition. Such major foreign competitors in fact frequently set the global standards and competitive agendas to which US firms must now respond. This is a major change since the 1950s and 60s when US multinationals (MNCs) dominated the global business environment, though even then they lagged in key industries such as steel and shipbuilding.

These strategic topics will first be introduced from a general perspective and then covered in a more specific way through a series of industry/firm case modules. Further, because this is a capstone course and many class members will be heading for an organizational decision-making environment, one course objective will be to demonstrate how some of the analytical tools you have acquired in other courses can be used in an integrated way to support a particular decision or recommendation. For this reason class members will be expected to use the assigned cases as platforms upon which to build an additional understanding of such areas as the firm’s industry economics, key competitors, customers, suppliers, markets, and core competencies. Students should thus be prepared to source and examine relevant articles; annual reports of the firm, its major customers, and important suppliers; analyses by outside experts such as bank and stock analysts; recent government reports; applicable laws and regulations in countries critical to its value chain.

That is, students should apply what they have learned in areas such as marketing or accounting to assessing the importance of such information to the firm’s strategic position since this is the kind of assessment their employers will expect and in that real world context there will probably be no prepackaged case available to them. Further, even if there were such a case, it would have to be constantly monitored and updated.

1. The first section of the course begins with an analysis of strategy. That is we will examine strategy and its implementation as a set of basic principles and approaches that is really quite independent of time, space and culture. This is because historically leading strategists have actually established a “Best Practice” paradigm where certain strategic actions and procedures should enhance the potential achievement of the organization’s goals and objectives.
The class will therefore first examine how strategies are developed and implemented to establish a competitive advantage regardless of time, space or culture. This will be illustrated by a careful assessment of the Japanese Kurosawa movie, “The Seven Samurai”, as a classic case in strategic management where one develops and implements a strategic plan to achieve the organization’s goals within a competitive environment. Each student after watching the movie will then be asked to concisely explain by answering a series of questions about how the 17th Century Japanese village developed and implemented its strategy. These answers will then be collated and distributed for further discussion on-line.

This exercise will count 10% of your grade!

The movie can be purchased on DVD or VHS through Amazon.com or in stores such as Best Buy. It is also generally available in most video rental stores. Finally, I will be putting two DVD copies on overnight reserve at the NJIT library.

2. This analysis will be followed by some lectures about strategy available on your course lecture CD that you should purchase at the NJIT bookstore plus assigned readings from Peter Drucker’s book, Management Challenges For the 21st Century. Having developed a common framework and basis for analyzing strategy in different competitive situations, we will begin to address the various industry modules. These sections will look all-too-briefly at strategic developments and trends in a series of industries. During this time the class will also consider how the strategies pursued by leading firms in important industries can influence the options available to other players and stakeholders as well as the degree those leading firms’ own strategies reflect certain strategic principles. Two important decision issues in this regard are one, to what degree in developing and implementing a strategy should a firm wait for a particular situation to develop, and two, when should it take independent action to achieve certain results.

Since in a business environment one generally works with others, the class will consider and discuss this important area by breaking into teams. Based on the readings each team will be assigned a company and industry segment on which to make a presentation. Another team will be requested to lead the discussion of the case and to ask critical questions on this presentation to initiate and facilitate comments and the case analysis in which all class members will be expected to participate from the standpoint of a pre-assigned firm.

The presentation will be 20% of your grade and discussion leadership 10%. General participation in class discussion throughout the course will count another 15%.

3. After assessing the basic competitive dynamics and trends in certain key industry segments and the strategies pursued by some leading firms in those industries, students should then be able to analyze and explain the development and implementation of a strategy in a specific firm of their own choosing but other than one already studied in class. This exercise will take the form of a final paper and presentation on the selected firm. The paper should reflect the student’s understanding and critical thinking about how the firm uses strategy to develop value and create competitive barriers to others trying to emulate that value creation strategy. That is your critical examination of the firm’s
strategy should assess how the selected firm is actually using strategy in a certain industry to improve its competitive position, to even change the competitive dynamics of its industry or to actually enter new industries and markets.

Class time will be used to discuss each student’s analysis and the relationship between its strategy and its competitive success or failure. In this final module, each student will therefore prepare a presentation and an abstract of the proposed paper for prior distribution to the class. This firm strategy paper should be about 25 pages double-spaced, not including the title page, abstract, tables, appendices, or bibliography.

In the paper a student should first explain the selected firm’s economic environment including the key competitive drivers and metrics. Next the student should assess the organization’s competitive situation and the strategy it has developed to achieve its goals including its core competencies and its approach to using technology and introducing innovations. Finally the student should outline its organizational structure and critically analyze how that organization is pursuing its explicit or de facto strategy to help it to implement its business strategy and thus to achieve its goals. This third piece should include an analysis of how the selected organization is using or not using technology strategically to effectively improve its competitive position. The student should also make recommendations on how the organization might improve or modify its strategy and the possible benefits to it and various stakeholders.

**The paper’s one page abstract is to be sent to the professor before 12/1/2004. It will then be circulated and discussed during the last on-line sessions. The Paper is due by 12/14/2004.**

There is no premium for selecting a firm or other organization pursuing a successful strategy over one that has no strategy and is failing. Rather students will be graded on their careful analysis of the organization’s economic situation and competitive dynamics as described above plus the thoughtfulness of their recommendations. In fact, it may be easier to see how improvements can be made in a bad situation than where things are going well. Because your paper topic will be discussed in class please e-mail the abstracts of your paper to me by Monday 11/29/2004 so they can be collated and distributed to all students prior to the last weeks of class.

**The paper will be 35% of your grade and PowerPoint presentation 10%. Failure to submit the abstract on-time will incur a 5 point penalty.**

Since this is an MBA class, there will be an emphasis on discussion of the material studied. So students are expected to have done the readings, listened to the course CD lectures and prepared comments and questions based on those materials. While the CD lectures and case studies will cover some of the same material, they will do so from different perspectives to convey alternative analyses and interpretations. As such, the CD lectures, presentations and on-line class discussion will be supplementary to the readings and not a substitute. It is to promote this kind of interaction that each student is given responsibility for presenting and leading cases, commenting on other presentations, and participating in the on-going on-line discussion.
Again since doing the readings and active participation are critical to effective class interaction in a distance learning environment, it is very important everyone participates every week throughout the course. If you cannot do this, please take a different class!

Students should also try to keep an eye out for current situations or issues affecting the firms studied in class by reading major business magazines such as Fortune, The Economist or Business Week as well as business related articles in major papers such as the NY Times or Wall Street Journal. In some cases such articles will be distributed via the class website. You should also regularly visit company websites looking for announcements or press releases.

Team case presentations and each student’s final paper should be analytical rather than merely descriptive in content and approach. In preparing presentations, it is generally best to consider answering questions such as why, how, and what happened with respect to the specific and relatively narrowly defined business situation that the case is addressing as well as the larger company, business and policy factors involved. You may want to pretend you are discussing a strategic problem or issue facing your company with the board, CEO or other top executive. (See Approach Case Analysis posted on class website plus “Strategy Formulation” at the end of this Syllabus.)

The purpose is to brief them on the important aspects of your company’s competitive strengths and weaknesses, current and future market conditions from a product and technical perspective and possible government policies that may affect the firm and its competitive environment globally or in a particular market or market segment. Policies or technologies that impact the industry will clearly be important parts of your analysis. The explanation would cover the business situation while recommending specific firm actions that can favorably or unfavorably impact the competitive situation.

Grades will be composed of answers to the Seven Samurai strategy questionnaire (10%), class participation throughout the semester (15%), the team industry/firm case PowerPoint presentation (20%), the industry/firm case commentary and discussion leadership (10%), final paper PowerPoint presentation (10%) and the final paper (35%). Course texts will be Management Challenges for the 21st Century, Peter F. Drucker (PFD) and Information Technology Strategies, William Rapp (WR).

There are also seven Harvard Business School cases you will need (Fuji-Xerox; Dell PC; Airbus; Charles Schwab [4]). For those who still have the book on Strategic Management of Technology and Innovation by Burgelman, Maidique and Wheelright and your cases from Professor Mehta’s course on global marketing, these cases except for the two final cases on Charles Schwab are already available. Periodic class website postings will supplement text materials (see syllabus). Class postings, the syllabus, course announcements, etc. may also be distributed by e-mail or webct mail.

If you have any questions, you can call me for an appointment 973-596-6414 (office) or e-mail me at rappw@adm.njit.edu. My office is on the 3d floor of the School of Management (Room 3020). My home page is http://web.njit.edu/~rappw.

Two other important points relate to assignment due dates and plagiarism. In this regard the following recommendations by the NJIT Graduate Student Association are instructive.
“Late Submissions: Assignments are expected to be done professionally and submitted on time. Being on time is part of being professional. You should plan to complete assignments with this in mind. Late assignments will be deducted one letter grade per day.”

Further the penalty for very late submissions of your final paper will impact not only your paper grade but your course grade too.

“There will be no warnings or chances with regard to cheating.” “This is your warning now.” My policy is that any form of cheating, including plagiarism, results in a FAILING COURSE GRADE!

Students should read the assigned readings in PFD and WR by the first day of classes!

They should also meet in person or on-line with their team members to begin preparing their presentations within the first week of classes. Team lists will be posted on the class website on the 2d day of classes, August 31st, based on registration at that time.

Week 8/30/2004 – Beginning course: Understanding Strategy plus strategic roles of technology and knowledge (industry and firm). Listen to first lecture on course CD. Optional Face-to-face meeting Leir Room to discuss course format Monday 8/30 5-6PM

Introduction/overview course; review Syllabus; Essence of strategy as reflection of competitive business environment; Teams and case presentation assignments confirmed. Introduction basic strategic concepts and competitive strategies

Readings: First part PFD on strategic context for business information; Tomorrow's “Hot” Issues; Management's New Paradigms; New Strategy Certainties

Teams and case presentations/comments confirmed. Listen to 1st lecture on course CD (Developing Corporate Strategy Part I). Participate in the on-line course discussion.

Week 9/7 – Strategy as independent of time, space and culture – 2d CD lecture (Part II A&B of Developing Corporate Strategy).

Assignment: View A. Kurosawa’s “Seven Samurai”, Listen Developing Corporate Strategy Part II (Class Lecture CD) Prepare answers for questionnaire on the Seven Samurai – due Friday 9/17

Week 9/13 General strategic context for business information (continued)

Review “Seven Samurai” Questionnaire – CD Lecture 3 (Best Practice Paradigm)

Discussion “Seven Samurai” as business strategy case; questionnaire due 9/17

Readings: 2d part PFD - Change Leaders; Information Challenges; Managing Knowledge-Work

What determines corporate advantage in a market; Portfolios and tactics versus strategy; Organizational (HR) alignment; Core competencies; Matching business and technology strategies-
Week 9/20 – *CD Lecture 4 (Part III of Developing Corporate Strategy)*; **Optional** Face-to-Face meeting Wednesday 9/22 from 5 to 6PM Leir Room - meeting is purely to discuss Webct or similar logistical issues.

Evolutionary thinking/learning; Value chains; Strategic architecture; Incorporating technology and innovation strategies; Business & technology/innovation strategies. Determining Strategic Context; S-curves; IPC (International Product Cycles); Evolutionary patterns; IPR (Managing Intellectual Property); Profitability Technology/R&D; Industry Changing Technologies (e.g. Digitalization Revolution); Building Value Networks; Customization; Context for Student Case presentations

Relevant Readings: WR pp ix-x; 3-19; Chapters 1-3 (pp 21-46); Chapter 4; Fuji-Xerox case; posted background slides on Xerox; posted Kodak article; “Analyzing Cases” (posted)

*Team #1 should prepare Fuji-Xerox case from Viewpoint of Xerox* – For leading the Discussion Team #6 should take the position of Fuji Photo; Team #2 should comment as Hewlett-Packard (HP); Team #3 Ricoh; Team #4 Kodak; and Team #5 Canon

Week 9/27 – Industry Transforming Knowledge, Telecommunication And Transportation Infrastructures – Case Studies Airbus/Boeing, Dell Computer, Nokia – *CD Lecture 5 (Technology Infrastructure and Globalization Mega-trend)*

Implementing strategies; Organizations; Aligning strategies and business decisions; Customers and strategies; Failures/Disruptions; Rules and Routines; Choosing Strategic Designs; Strategy Convergence.

Relevant Readings: WR Chapter 11 (Nokia); Review BMW (Burgelman, et al 3d edition) Dell (pp 756-769); HP Drives (pp 405-416); Intel (pp 339-362; 375-386; 931-954) Review Airbus & Dell cases covered other courses. Discussion transport and telecom developments.

Week 10/4 – Autos - Using/Developing Technology, Knowledge & Information Infrastructures – *CD Lecture 6 (Background Steel and Auto Industries)*

Corporate learning; Absorbing and focusing strategic options; Transfer strategies including engineering-production interfaces; New Product Development; Globalizing R&D; Collaboration and Partnering; Internal Venturing; Corporate Cultures; Accelerating Design/Build Cycles; Heavyweight teams; Next generation products and services; Embedded software; *optional simulation exercise (see final pages of syllabus)*

Relevant Readings: WR – Chapter 7 (autos), chapter 6 (steel); background auto simulation

Team #2 presentation on Toyota’s Global Strategy with team #5 leading discussion from Ford’s standpoint; team #1 will comment as GM; Team #3 as Daimler Chrysler; Team #4 as Nippon Steel, team #6 as Volkswagon

Week 10/11 – Autos (continued): Convergence Global Technology and Product/Service Context – Converging Worldwide Strategies in Certain Industries and Services (e.g. autos, electronics and telecommunications [Wireless & Mobile]), Consolidation Trends

Relevant Readings: *Machine that Changed the World* (posted readings); Toyota’s &
Telematics (posted); Posted articles from Business Week, Fortune, NY Times
Further discussion - team #2 “Toyota and telematics”, team #5 (Ford), etc.

Week 10/18 Retailing – CD Lecture 7 (Retailing/Consolidation [Autos, CVS, e&m-commerce])
Relevant Readings: WR – Ito-Yokado (Chapter 8); papers (posted) on CVS & e/m-commerce;
Team #3 Presentation on IY’s Global Strategy; discussion lead by Team #4 from as Lawson; team #1 will comment as (Family Mart), Team #2 as (WalMart); Team #5 as (Sony); Team #6 as (Verizon)

Week 10/25 – Retailing (continued) – Leveraging Core Competencies
Relevant Readings: Posted cases on UPS (also end of CD Lecture 7)
Team #4 Presentation on UPS global growth strategy; discussion lead by Team #3 as 7-Eleven; team #1 comment as DHL, team #2 as Amazon; Team #5 as Fedex; Team #6 IBM

Week 11/1 Pharmaceuticals – CD Lecture 8 (Pharmaceutical Pipeline, Intellectual Property Rights and Demographic Mega Trends)
Relevant Readings: WR (Chapter 5); posted “pharma” articles
Team #5 Presentation on Merck’s Ethical Drug Strategy; discussion lead by Team #2 as Glaxo-Welcome; team #1 will comment as Pfizer; team #3 as Eli Lilly; team #4 as Dendrite; team #6 as Johnson & Johnson

Week 11/8 Financial Services – CD Lecture 9 (Financial Services, Risk Management [Derived Business Strategies], Life Cycles)
Relevant Readings: WR – Citibank (Chapter 10); Insurance (Chapter 9); posted Citi articles
Team #6 Presentation on Citibank’s Strategy for Global Retail Financial Services; discussion lead by Team #1 as JPMorgan Chase; team #2 should comment as HSBC; team #3 as 7-Eleven; team #4 as Merrill Lynch; team #5 as Nationwide

Week 11/15 Financial Services Continued - (please e-mail abstracts of your papers by Monday 11/29/2004 so they can be collated and distributed)
Relevant Readings: Charles Schwab cases & end CD L9; posted materials on Merrill Lynch
PowerPoint presentation on Charles Schwab’s business strategy (WR); comments by Team #1 as JPMorgan Chase; team #2 as HSBC; team #3 as 7-Eleven; team #4 as Merrill Lynch; team #5 as Nationwide; team #6 Citibank

Week 11/22 – Thanksgiving Break

Weeks 11/29 and 12/6 – Presentations and Discussion Student Abstracts (due on Monday November the 29th) on strategies in various industries (own and papers)
Relevant Readings: Abstracts of each student’s paper. Time will be spent discussing the
strategies used in particular industries and firms covered in each student’s paper with the students examining particular industries and firms leading the discussion on those topics. If students look at firms in the same or related industries, these presentations will be grouped together for discussion purposes. So it is important all abstracts are received by e-mail by November 29th so each student’s presentation can be properly grouped and scheduled.

**Strategy Formulation**

When developing an Analysis of an organization’s strategy whether it is for a class presentation, a final paper, or an actual business assignment, begin with an assessment of the firm’s economic environment and its likely evolution.

This is because its **Business Strategy** depends on the organization’s competitive situation and the economic drivers that rule its environment over time.

These will determine both its organizational structure and competitive orientation.

These will then indicate its core competencies – those things the organization does well compared to its competitors across a range of activities and businesses, that add value for customers, and that create dynamic competitive barriers to easy or low cost emulation.

It is therefore important to continually separate how a product is used or developed from how one manages the company and pursues its business strategy in an industry and related industries in terms of organization and relations to customers and suppliers.

There are three important aspects to developing a strategy:

1) Assessing the dynamic economic and competitive environment including key drivers

2) Developing an organization to formulate and implement an appropriate strategy over time

3) Constantly improving the ability of the organization to evolve the strategy in ways that enhance core competencies and therefore by definition improve value (revenues) while building barriers to entry or emulation.

So strategy formulation necessitates having an organization that understands its business economics, the technologies directly related to that, and the developments that might impact them. It takes awhile to develop such personnel and it is important to retain them.

The analytical approach in this course follows the same format. We begin with learning to understand strategy and to formulate strategies in different industries with different economics and technologies. Within the industry there may also be segments with different growth rates, regulations or other characteristics. These may be driven by national differences, by differences in demographics, or by other important criteria. Whatever the driving forces are they must be understood in terms of how they are evolving and how they are affecting customers, suppliers and the firm (organization). From this one can develop a dynamic strategy that addresses the important considerations but also guides the firm in minimizing the resources devoted to aspects that are not relevant or less important. That is a good strategy should act as a decision sieve or
selector. It should also allow one to segment the value chain, which is critical from a strategy and organization perspective.

These are important business issues facing any firm or institution including the role of international considerations related to competitors, customers, suppliers, government regulations, taxes, FDI, and foreign exchange. Indeed, by collapsing and facilitating global communications, recent and evolving IT technology and infrastructure developments have made international or global business considerations an even more important aspect of business strategy and organization.

Thus, a good business strategist is usually an effective implementer of the firm’s business strategy globally. However, in addition to understanding its own business and competitive position including its industry’s evolving technology, these strategists also have an excellent understanding and appreciation of how related industries such as customers or suppliers are developing and how these developments may impact the industry and the firm (organization).

Therefore, after looking at how firms develop strategy and supporting organizational structures, the class will examine some of the trends in related industries and the strategies used by some of the major firms driving these developments. Understanding these issues will give a better appreciation of how leading strategists are improving their existing strategies, how they are positioning themselves to benefit from likely future developments, and why in some cases they develop their own proprietary technologies or other initiatives.

While not comprehensive and varying by industry and firm, some questions we will want to answer as we proceed are: when does cost minimization to achieve a certain functionality make sense and when does it entail a high degree of risk? Are certain trends converging and what are the implications for different businesses? When does it make sense for an organization to outsource? Where is value best captured? When are there first mover advantages and how do you keep them? What is the role of Intellectual Property Rights (IPR) in a long-term strategy? The need to create competitive barriers makes the last three questions strategically critical!

When does change have strategic implications for an industry? For example, has the power balance shifted between suppliers and customers? How do current supply availabilities and their likely development limit a user’s strategy? What is the appropriate timing and cost for introducing improvements at different points in the value chain? Are there relevant product life cycles? Are there product as well as industry/organization strategy issues? When is it appropriate to develop one’s own new and/or proprietary product or service? How does one best protect it? How does one train or educate an organization to develop and use strategically complementary products or services? Are there decision points for developing, pursuing or abandoning new projects? What happens when intellectual property protection expires, is not available or is not enforced in an important market segment?

More currently, how is the evolution of the Internet, e-commerce and m-commerce going to affect a particular industry and its participants? What are the different implications for C2C (e.g. E-bay), B2C (e.g. Amazon or Barnes & Noble), and B2B (American Hospital Supply or GE) business models within an industry? Does an organization have to be a producer and/or have a physical infrastructure plus a dominant IT intermediary channel to really control a particular Internet, e- or m-commerce channel?
Optional Simulation Exercise

For those who would like to have a more hands-on strategy experience in terms of examining the auto industry there is an individual simulation available on which I am willing to work with students that are interested in this. *Deciding to do the simulation will not affect your grade or course participation, though you can readjust how you will allocate some of your class participation time.* Students that select this option may select the simulation described below. They then do not have to participate in the on-line discussion related to the auto industry while participating members of team #2 do not have to actively lead the discussion on Team#5’s pharmaceutical presentation.

*Even if you do not do the simulation, you should still read the background notes that are posted on the class website since they give a good summary of the auto industry market and some of the strategies pursued by various firms.*

**AutoSim** is a marketing simulation that focuses on the US auto market and especially the market for smaller fuel-efficient cars. As the author’s note, this is a very important industry even not including closely related economic activities such as gas stations, repair shops, gasoline production, parking, trucking, and highway construction. “There is probably no segment of the United States economy that has captured the imagination and interest of the public more than the automobile industry. From the time of Henry Ford, news from Detroit has always been read with great interest and often sparks political debate. Perhaps this is because of the great importance of the automobile to both the individual consumer and the overall economy. Over 1 million people are employed in North America in the industry and consumers spend almost half a trillion dollars on automobiles and related parts each year, or about 8 percent of all consumer spending. From a competitive standpoint, each point of market share represents $4 billion in sales.

Similarly, there has probably never been an era where consumers’ needs have been so intently studied or new technologies so quickly implemented as in today’s automobile industry. Today’s automobiles are certainly among the most complex consumer products on the market, being fabricated from up to 15,000 different parts and assemblies.

The interest and importance of the automobile industry has generated a great deal of research and proposals for action. Our contribution to this body of knowledge is AutoSim, the learning tool you are about to use. Our purpose was not to try to offer solutions to any of the problems that face the automobile industry, but rather to provide a simulated environment where business students and practitioners can learn more about the automobile industry and gather general lessons about marketing. All of the information about the vehicles and consumers in AutoSim are gathered from public sources.

Clearly, we cannot capture all the complexities of this industry, nor is that our goal. We have made a number of reasonable simplifications in order to create an exercise that can be experienced over a few days in a management seminar or in an advanced marketing class. However, our simplifications have not made the task before you simple. Use AutoSim to push your knowledge and marketing experience to new levels. …

Most business students and managers are familiar with the case method of learning. The purpose of a case is to place a student in a “real” business dilemma and then ask the student to analyze
the situation and decide on an appropriate course of action. The strength of a case is usually in
the discussion and feedback from the instructor and other students that occur in the classroom or
work groups. … Our purpose in AutoSim is to use the strengths of both the case and simulation
methodologies. We designed the “marketing laboratory” to have the richness of case analysis
while placing the participant in a dynamic, simulated environment. … be advised that we based
the information in the case and simulation on real world data, but modified and simplified it to
enhance the learning experience. …

The AutoSim case consists of the following items:

- Auto Industry Overview
- Marketing Issues in the Small Car Segment
- Small Car Consumer Profiles (based on psychological studies)
- Case Questions …

Some final points you may want to refer to as you proceed with the exercise:

- Focus on consumer needs and hw best to communicate your product offering to your
target customer
- Consider the financial aspects of your decisions. Make sure to manage your margins and
understand the effects of fixed costs.
- Do not underestimate the importance of your decision-making process, especially if you
are working in teams.
- Step back from time to time to reflect upon what you are learning. Analyzing the market
and making decisions involve complex processes; don’t just sit at the computer and
“play.” Instead, print out the results and carefully consider your options.”

There is another simulation, StratSim, which is a business strategy simulation based on the
global automobile industry. However, this simulation is for teams only and does not allow
individual participation. Further, it does not involve real companies. Nevertheless, it has useful
background information on both the auto industry and strategy formulation. Therefore these
materials have been posted on the class website to help students in both analyzing the auto
industry and developing corporate strategies.
### Analytical

<table>
<thead>
<tr>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>To advance critical thinking skills using theory, concepts and precepts</td>
</tr>
<tr>
<td>To develop the ability to identify and formulate business problems</td>
</tr>
<tr>
<td>To develop skills to critically analyze business problems</td>
</tr>
<tr>
<td>To develop analytical skills to solve business problems</td>
</tr>
<tr>
<td>To develop the ability to use and find information</td>
</tr>
</tbody>
</table>

### Communication

<table>
<thead>
<tr>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>To advance skills that enable effective business writing</td>
</tr>
<tr>
<td>To develop ability to make effective presentations</td>
</tr>
<tr>
<td>To develop the ability to effectively communicate your position in a rational and convincing manner</td>
</tr>
<tr>
<td>To enhance the ability to communicate with a diverse group of people</td>
</tr>
</tbody>
</table>

### Interpersonal and Team Dynamics

<table>
<thead>
<tr>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>To demonstrate mastering of skills to work in teams and achieve common goals</td>
</tr>
<tr>
<td>To develop management and leadership skills</td>
</tr>
<tr>
<td>To understand team roles and relationships that foster cooperation toward goals</td>
</tr>
<tr>
<td>To build capabilities to structure team milestones and deliverables</td>
</tr>
<tr>
<td>To learn how to manage expectations and deadlines</td>
</tr>
</tbody>
</table>

### Ethics

<table>
<thead>
<tr>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>To develop a schema to think about ethical implications of decision-making</td>
</tr>
<tr>
<td>To develop a sense of ethical and professional behavior</td>
</tr>
<tr>
<td>To be aware of ethical issues that many tend to emerge in organizations, and appropriate treatment of them</td>
</tr>
<tr>
<td>To understand the roles, rights, and responsibilities of the business organization</td>
</tr>
</tbody>
</table>

### Technology: Business/Technology Interface

<table>
<thead>
<tr>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>To understand the varied use of technology within the business context</td>
</tr>
<tr>
<td>To develop the ability to identify and analyze technology needs in business</td>
</tr>
<tr>
<td>To understand how to apply technology solutions in the business context</td>
</tr>
<tr>
<td>To understand how IT fits into the broader business context</td>
</tr>
<tr>
<td>To understand how the organization’s structure, strategy, and practices change with technology</td>
</tr>
</tbody>
</table>

### Technology: Skills

<table>
<thead>
<tr>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>To develop familiarity and competence with business software packages</td>
</tr>
<tr>
<td>To learn how to transfer knowledge of specific applications across technologies and Platforms</td>
</tr>
<tr>
<td>To recognize and define technology requirements and the role of emerging technologies</td>
</tr>
<tr>
<td>To be experienced in systems development strategies and implementation techniques</td>
</tr>
<tr>
<td>To understand data, information and systems convergence and deployment</td>
</tr>
</tbody>
</table>

### Globalization

| To understand the impact of globalization and the complexity it brings | X |
| To evaluate the benefits and concerns associated with globalization | X |
| To comprehend the cultural, social, legal and ethical aspects of the globalization of business | X |
| To understand how management varies across cultures | X |
| To assess the needs or standardization versus local adaptation (products, practices, systems) | X |
| To recognize the benefits of being a good global corporate citizen | X |
| To understand business strategies in a global context | X |