MGMT 408: Business Policy  
Fall 2013  
Meeting times: M/W 2pm – 3:15pm TATE 132  
M/W 3:20pm – 4:35pm TATE 132

<table>
<thead>
<tr>
<th>Instructor:</th>
<th>Elise Perrault, M.B.A., Ph.D.</th>
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<tbody>
<tr>
<td>Office:</td>
<td>B-328</td>
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<tr>
<td>Email:</td>
<td><a href="mailto:perraulte@cofc.edu">perraulte@cofc.edu</a></td>
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<tr>
<td>Phone:</td>
<td>843-953-6662</td>
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<tr>
<td>Office hours:</td>
<td>M/W: 11am – 1:30pm, and by appointment</td>
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PRE-REQUISITES:  
- Senior standing  
- Required courses: ACCT 203, 204, DSCI 232,304, ECON 200, 201, FINC 303, MGMT 301, MKTG 302, MATH 104, 105.  
- Recommended: BLAW 205, DSCI 300.

A. COURSE DESCRIPTION

A course for senior business administration majors that draws together the functional areas of business operations (Accounting, Finance, Marketing, Human Resources, Management and Operations Management) as a means of developing the student’s conceptual and decision making abilities.

In other words, strategic management focuses on the job of the general manager or top management team in formulating and implementing short- and long-run corporate strategy. In business and other organizations, policy or strategy is formulated in a multi-faceted environment of social, political, economic, and legal entities and forces. Strategic management is concerned with developing the "general management point of view"; this means seeing the cross-functional impact of any situation, problem, solution, proposal or decision and the key long- and short-term implications for the total enterprise.

In addition to the basic strategic process, a number of additional perspectives on organizations will be discussed. These perspectives include an emphasis on ethical issues to include general business and society concerns, a discussion of the effects of changing technology and innovation on strategic management, the impact of the global environment on firm-level strategies to include a discussion of international entry-mode strategies, strategy formulation and implementation in specific business environments such as the not-for-profit sector and in family businesses or entrepreneurial settings.

B. OVERALL COURSE GOALS

Students will develop an understanding of the forces that shape business strategy and the processes by which strategy is formed and implemented.

Learning Objectives & Skills:

- Actively participate in interactive dialogues on course topics
- Demonstrate clear and logical writing skills during class assignments and cases
- Identify the key issue in a business case
• Use the analytic tools and techniques presented in class, such as external and internal environmental analysis
• Apply financial analysis to the argument development process
• Recommend strategies that are able implementable
• Demonstrate proficiency in presentation skills to include power point and public speaking

In addition to the specific course goals developed above, the course will promote the general goals of the School of Business as per below:

✓ **Communication skills:** Students will have to effectively discuss and present business cases and strategic management exercise, both at the group and the class level.

✓ **Quantitative fluency:** Students will have to apply the course techniques and tools to the strategic decision making process so as to display logical reasoning and data analysis skills.

✓ **Global and civic responsibility:** Students will have to identify and define how to address social, ethical, environmental and economic challenges at local, national and international levels in the context of the cases discussed in class and more generally in the process of strategic decision making.

✓ **Intellectual innovation and creativity:** Students will have to demonstrate problem-solving abilities and creativity in both formulating and implementing strategy.

✓ **Synthesis:** Students will have to integrate concepts presented throughout the semester to inform a cogent argument in their analysis of cases and application of course concepts.

C. COURSE FORMAT

The class will involve a mix of interactive lectures and class discussions, including several case analyses and decision making exercises as well as homework.

The class will address the emerging and complex issues of strategic management in nine basic content areas:

1. The definition of strategy
2. Industry analysis: understanding the impact of the environment on a firm’s strategies and performance.
3. Firms’ generic strategies and competitive advantage: understanding the impact of a firm’s generic strategy on performance
4. Internal analysis: identifying the key resources that the firm can leverage in strategy formulation and implementation
5. Corporate strategy: horizontal and vertical integration
6. Implementing strategy: considering organizational structure in strategy implementation
7. International strategies: factors and opportunities for international expansion
8. Strategy formulation for new ventures
9. Corporate social responsibility and corporate governance

D. COURSE MATERIALS

Text & cases: A customized textbook has been arranged by your Professor, with ISBN: 9781121777941, available at the CofC bookstore which also includes the case studies used in the class. This customized version is designed to provide you with a less expensive alternative for your textbook. However, you can also purchase the original “Strategic Management”, by Dess, Lumpkin, Eisner & McNamara, Sixth Edition – which is the full version of the customized textbook. Please note
that not all the cases are included in this Textbook, such that you will need to purchase some cases separately, and in addition to the book.

OAKS: The instructor will regularly post important course materials on OAKS.

Outside Reading:
All participants must read and be prepared to discuss articles from an outside business publication such as: The Wall Street Journal; The New York Times; Business Week; Fortune Magazine, Barons; the Economist; Financial Times; Fast Times; Web Sites (as applicable).

E. COURSE REQUIREMENTS/ GRADING

Each participant is required to have done the readings assigned, to include both the case and the chapter. In addition, each participant is expected to fully participate in individual, class and group work.

**Grading:**
- Group paper: 25%
- Group presentation: 15%
- Thought questions (5): 25%
- Homework: 15%
- **Class Participation:** 20%

**Total:** 100%

**A note on class participation:** Class participation is much more than attendance; it includes lively discussion of the case or reading materials, bringing in articles from the business press, asking questions during the lecture to clarify points. Participants are not graded on the quantity of their participation but on the quality of their comments.

The following are examples of quality class contributions:
- making or raising issues that are relevant to the current focus of the class
- using data or examples to support conclusions
- taking into consideration the ideas already offered by others
- offering support for your arguments
- helping others to feel comfortable about participating (disagree agreeably).

A Note on Teaching

My goal in this course is to emphasize teaching you how to learn and think rather than “knowledge dispensing” alone. Therefore, my classroom focus will be more on asking you to analyze the material you’ve read for that particular class meeting. We will be spending more class time on analyzing and evaluating the case, article and textbook material, bringing in key evidence to support our positions and formulating problem solutions and less time on reiterating the readings. This approach will allow you to spend the majority of your time on learning and thinking.

Please note, this format will not be successful unless you prepare all of the reading materials in advance. Those who do not will either be lost during class time or not get much out of the course, or both. This approach also ties in well to the class participation quantity vs. quality scale below.
**GRADING SCALE**

Letter grades will be assigned according to the following scale, in conjunction with the new College of Charleston standard:

- **Superior/Excellent range:**
  - A (4.0) = 94-100%
  - A- (3.7) = 90-93%

- **Very Good/Good range:**
  - B+ (3.3) = 87-89%
  - B (3.0) = 84-86%
  - B- (2.7) = 80-83%

- **Average range:**
  - C+ (2.3) = 77-79%
  - C (2.0) = 74-76%

- **Below Average range:**
  - C- (1.7) = 70-73%
  - D+ (1.3) = 67-69%
  - D (1.0) = 64-66%
  - D- (0.7) = 60-63%

- **Failing range:**
  - F (0.0) = <60%

**F. GROUP PRESENTATION**

Each class participant will also be a member of a group of 3. Group members will engage in a competitive analysis group project. The project will consist of a paper of no longer than 10 pages and a class presentation. The presentation will last approximately 30 minutes, to include time for questions (i.e., present for 20 minutes, questions for 10 minutes). Each member of the group must participate in the presentation. Presentation grades will be individual although reflective of your team’s effort. Additional details on the requirements for the group project will be provided in class during the semester. It is imperative that each group member fully participates in the group process. **Group membership (positive/negative) can result in the raising or lowering of the final grade.**

**G. ATTENDANCE AND HOMEWORK POLICY**

It is expected that students will attend all classes scheduled to take place on campus. Since this is a tight session, we will follow a rapid pace and missing even one session can result in losing track. Please discuss all absences with me **before** class. Please e-mail me in advance if you must miss a class scheduled to take place on campus. If a lecture class is missed, please hand in the module preparation questions for the module in which we are engaged, as listed on the Syllabus. If a case class is missed, please hand in answers to all of the case discussion questions. **Make-up work that is over 1 week old will not be accepted.**

**H. COLLEGE OF CHARLESTON HONOR CODE AND ACADEMIC INTEGRITY**

Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are investigated. Each incident will be examined to determine the degree of deception involved.

Incidents where the instructor determines the student’s actions are related more to a misunderstanding will handled by the instructor. A written intervention designed to help prevent the student from repeating the error will be given to the student. The intervention, submitted by form and signed both by the instructor and the student, will be forwarded to the Dean of Students and placed in the student’s file.

Cases of suspected academic dishonesty will be reported directly by the instructor and/or others having knowledge of the incident to the Dean of Students. A student found responsible by the Honor Board for academic dishonesty will receive a XF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student’s transcript for two years after which the student may petition for the X to be expunged. The student may also be placed on disciplinary probation, suspended (temporary removal) or expelled (permanent removal) from the College by the Honor Board.
Students should be aware that unauthorized collaboration—working together without permission—is a form of cheating. Unless the instructor specifies that students can work together on an assignment, quiz and/or test, no collaboration during the completion of the assignment is permitted. Other forms of cheating include possessing or using an unauthorized study aid (which could include accessing information via a cell phone or computer), copying from others’ exams, fabricating data, and giving unauthorized assistance.

Research conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from the instructor.

Students can find the complete Honor Code and all related processes in the Student Handbook at http://studentaffairs.cofc.edu/honor-system/studenthandbook/index.php

I. TIMELINESS - MOBILE TELEPHONES - INTERNET

As a courtesy to me and to the others in the class, please arrive to class on time and turn off all mobile telephones for the duration of the class period. There is no need for a computer in the course, so all laptop computers should be closed for the duration of the class.

J. REHABILITATION ACT

If there is a student in the class who has a documented disability and has been approved to receive accommodations through the Center for Disability Services / SNAP, please come and discuss this with me during my office hours. Requests for accommodation must be made known to me as early as possible in the semester, and no later than 48 hours prior to an examination.

K. CENTER FOR STUDENT LEARNING

I encourage you to utilize the Center for Student Learning’s (CSL) academic support services for assistance in study strategies and course content. They offer tutoring, Supplemental Instruction, study skills appointments, and workshops. Students of all abilities have become more successful using these programs throughout their academic career and the services are available to you at no additional cost. For more information regarding these services please visit the CSL website at http://csl.cofc.edu or call (843)953-5635.

L. COURSE OUTLINE

"TEXTBOOK" refers to the Dess, Lumpkin and Eisner textbook mentioned above. All readings are required and should be completed before the class session for which they are assigned.

<table>
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<tr>
<th>Date</th>
<th>PROGRAM AND ASSIGNMENTS</th>
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| Aug 21 | Introduction – Syllabus, OAKS, textbook  
|       | Preparation:  
|       | Read the syllabus carefully and bring it to class. The syllabus is available on OAKS. |
**Aug 26**  
**Module 1: Introduction – What is Strategy**

Module preparation questions:

1. What have your previous courses taught you about strategy?
2. Think of a successful firm: How do you know it is successful? What are the factors that have led to its success?
3. How does your textbook define Strategic Management?
4. What are the four key attributes of Strategic Management?
5. What is the difference between Operational Efficiency and Strategy?

*Think about your time here at the College of Charleston as well as your overall business experience. How have we prepared you for a course like Business policy? When you think about companies, how do you know that they have been successful? What made them a success?*

**Preparation:**  
**Textbook:** Chapter 1, *Strategic Management: Creating Competitive Advantages*, p.1-33

**Aug 28**  
*One of the leading thinkers in Strategic Management is Professor Michael Porter of the Harvard Business School. He has some strong opinions about what is and is not strategy. Today we will discuss them and then apply them using an in-class exercise.*

**Preparation:**  
**Case 1, p.40**  
In-class exercise: Strategy versus Operational Efficiency

**Sep 2**  
**Module 2: Industry Analysis**

Module preparation questions:

1. What kind of impact can the general environment have on a firm’s strategies and performance?
2. Is the five-force model analyzing the firm, the industry or the country?
3. What are some of the strengths of the five forces model?
4. What are some of the limitations of the five forces model?
5. How should we define industries and why does that matter?
6. What are strategic groups?

*Professor Porter developed a well-regarded model for analyzing the task or competitive environment. This model will form the foundation for our analysis of industry structure.*

**Preparation:**  
**Textbook:** Chapter 2, *Analyzing the External Environment of the Firm*, p.42-76

**Sep 4**  
*Game on anyone? Today we will apply Professor Porter’s five forces model to the gambling industry.*

In-class exercise: The Competitive Environment of the Gambling Industry
**Sep 9**

We are all familiar with soda pop; the all American drink. Most of us insist that we can differentiate our favorite soda from the imitators. But, do you know the structure of this industry? How has something as simple as colored, flavored sugar water managed to become one of the most profitable industries of all time? Is this profitability likely to continue as the carbonated soft drink industry moves into other products such as water?

**Preparation:** Case: Cola Wars Continue, Coke and Pepsi in 2010, p.83

TQ1 (to be handed in): Using your knowledge of industry structure (Porter’s five forces) please compare the industry structure of the concentrate producers to the industry structure of the bottlers – which one is more attractive – why?

Case preparation questions: (to help you in your preparation of the case)

1. Why, historically has the soft drink industry been so profitable?
2. Compare the economics of the concentrate business to that of the bottling business: Why is the profitability so different?
3. How has the competition between Coke and Pepsi affect the industry’s profits?
4. Can Coke and Pepsi sustain their profits in the wake of flattening demand and the growing popularity of non-CSDs?

**Sep 11**

**Module 3: Firm Positioning & Competitive Advantage**

Module preparation questions:

1. What are the four generic strategies and why are they important?
2. How do the generic strategies impact firm performance?
3. How can you apply the life-cycle concept to firm-level positioning and the generic strategies?

One of my favorite movie lines comes from the movie Bull Durham. One of the main characters states that “This (baseball) is a very simple game. You throw the ball, you catch the ball, you hit the ball.” How does that relate to strategy? Well, Michael Porter states that strategy is pretty simple, “You are either the most efficient, the most different, or most focused.”

**Preparation:**


**Sep 16**

Today you get to be the strategist by developing a generic strategy for a hotel in the accommodation industry. Be careful though, the rest of the class will get a chance to vote on the winning strategy!

In-class exercise: Generic Strategies and the Hotel Industry

**Sep 18**

Vroom Vroom... Are there any motorcycle riders out there? I hope so, because today you are our industry “experts”. Let’s take a look at the competitive structure of the motorcycle industry and then specifically at the Italian motorcycle company Ducati. What is their generic strategy?
### Preparation: Case: Ducati, p.147

**TQ2 (to be handed in):** Using your knowledge of Industry Structure, is the Motorcycle Industry attractive to compete in for incumbent firms? Please explain. What is Ducati’s generic strategy? Please explain.

Case preparation questions (to help you in your preparation of the case):
1. How did Ducati become the second most profitable motorcycle maker in the world despite its small scale? What is the fundamental economic logic of Minoli’s turnaround?
2. Can Ducati sustain its position in the sport segment? Can Honda and the other Japanese manufacturers stop its growth in this segment?
3. What strategic alternatives are available to Minoli in 2001?
4. Which alternative would you recommend? Why?

### Sep 23

**Module 4: Internal Analysis – Financial Resources**

Module preparation questions:
1. What is the key unit of analysis in the Resource-base view of the firm?
2. What is the principal goal of the Resource-based view of the firm?
3. What are the four characteristics that a resource must possess in order for it to contribute to sustainable competitive advantage?
4. Which three are sufficient for a firm to achieve temporary competitive advantage?

*Professor Porter is not the only leading thinker in strategic management. Today we explore some other work that has been done in addition to Porter’s models. What do they tell us about firm strategy? Do these other ideas help firms to attain a sustainable competitive advantage?*

### Sep 25

**Sharpen your pencils and grab your calculators. Today you will be working through an in-class exercise on financial resources. It is critical to not only understand firm strategy, but also to be able to relate that to firm-level financial data. Your goal is to determine which firm has the best performance. Bring your laptop to class, as you may be presenting your results!**

In-class exercise: Financial resources: Which firm is the stronger performer?

### Sep 30

**Preparation: Case: General Motors, p.216**

**TQ3 (to be handed in):** What resources and capabilities did GM draw on to build its strong market position? In which way(s) was GM not leveraging its resources and capabilities when it got rushed into bankruptcy?

Case preparation questions (to help you with your preparation of the case):
1. How was GM able to build its dominant position in the car industry? What sources of competitive advantage was it able to develop against other producers in the U.S.?
2. How would you evaluate Wagoner’s effectiveness at GM? How effectively did he develop the organization to implement his priorities?
3. What do you think of GM’s purchase of AmericaCredit?
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<tr>
<th>Date</th>
<th>Module</th>
<th>Preparation</th>
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| Oct 1  | **Module 5: Corporate Strategy** | Module preparation questions:  
Horizontal Integration  
1. What is the difference between related and unrelated diversification?  
2. What are economies of scope and what is their role in horizontal integration?  
3. What is the role of market power in diversification?  
Vertical Integration  
1. What is the difference between horizontal and vertical integration?  
2. What are the benefits and risks of vertical integration?  
Preparation:  
Textbook: Chapter 6, Corporate-level Strategy, Creating value through Diversification, p.222-255 |
| Oct 6  |  
The business press is replete with examples of mergers and acquisitions (M&A). After all, this is the stuff that keeps the investment bankers employed. But the strategist in us needs to go beyond all the M&A hype and ask some difficult questions about diversification strategy. For example, does it really create shareholder value? Does the newly acquired firm actually “fit” with the existing company’s strategy?  
In-class exercise: Portfolio Analysis  
**Discussion: Writing assignment, final projects, teams** |
| Oct 8  |  
Back to Pepsi again, but this time not the soft drink industry but instead its restaurant group: Taco Bell, Pizza Hut and Kentucky Fried Chicken. In this case PepsiCo is considering two strategic acquisitions that they think might add to their existing restaurant business. We need to determine if they should go ahead with them. As you are aware, since this case was written PepsiCo has divested of their restaurant business. After we are done talking about the case, let’s try to figure out why.  
Preparation: Case: PepsiCo Restaurants, p.261  
TQ4 (to be handed in): Using your knowledge about corporate diversification, what type of diversification activity is PepsiCo engaged in when it acquires California Pizza Kitchen? What type of diversification activity is PepsiCo engaged in when it acquires Carts of Colorado? Which do you think is a stronger acquisition, why?  
Case preparation questions (to help you with your preparation of the case):  
1. Should PepsiCo acquire Carts of Colorado and/or California Pizza Kitchens? Why or Why not?  
2. If so for either, how should they be integrated into PepsiCo? Should they be treated like the existing restaurants within PepsiCo? In your estimation, what will be the key factors for success with these potential acquisitions? |
expansion into international markets?
2. What are the four factors described in Porter’s diamond of national advantage? How do the four factors explain why some industries in a given country are more successful than others?
3. Explain the tension between cost reduction (global) and adaptation to local markets (multi-domestic).
4. Describe the basic entry mode strategies that firms employ when going international? What are the advantages and disadvantages of each of these? Which is the least risky and why? Which has the highest risk and why?

Remember in the 1939 classic movie *The Wizard of Oz* when Dorothy looks at Toto and says “Toto, I’ve a feeling we’re not in Kansas anymore”…. well in our discussion today, “we’re not in the U.S.A. anymore”. What does that mean for a firm’s competitive strategy?

**Preparation:**

<table>
<thead>
<tr>
<th>Oct 21</th>
<th>Cerveza, biere, beer? As the beer industry consolidates and internationalizes, let’s look at the implications on strategy and entry modes.</th>
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<tr>
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<td><strong>Preparation:</strong> Case: Heineken, p.328**</td>
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<td><strong>TQ5 (to be handed in): What type of internationalization strategy does Heineken have? Why do you think they have chosen this strategy? Is this internationalization strategy sustainable? What is Heineken’s entry mode strategy (ies)? Why do you think they have chosen this (ese) strategy (ies)?</strong></td>
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<td>Case preparation questions (to help you with your preparation of the case):</td>
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<td>1. What are the important internal and external factors that have contributed to the growth and performance of Heineken?</td>
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<td>2. How would you evaluate the entry mode strategy that Heineken adopted in entering foreign markets? Evaluate both strategic and profitability dimensions. Is this mode sustainable?</td>
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<td>3. What does the future hold for the company in each of the regions of expansion? What proactive strategies would you recommend for the firm in these areas?</td>
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<tr>
<th>Oct 23</th>
<th><strong>Module 7: Entrepreneurship</strong></th>
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<td>Module preparation questions:</td>
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<td>1. What is the difference between discovery and formation in the process of opportunity recognition?</td>
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<td>2. What types of financing are available to entrepreneurs in early stages of start-up? What types of financing are available in later stages of start-up?</td>
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<td>3. What are the types of entry strategies used by a new venture?</td>
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<td><strong>Want to be your own boss? During your careers, many of you will start your own firms. But where do you get the ideas? Who puts up the money? What resources do you need? Here is a case where you all can be the “experts”. Be prepared to discuss Facebook’s strategy. What factors have lead to the huge success of Facebook? What is Zuckerberg’s vision? What type of organization is needed to support Facebook?</strong></td>
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<td>Preparation:</td>
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<tr>
<td>Oct 28</td>
<td>Preparation: Case: Apple, p.373</td>
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<td></td>
<td>1. Why is Steve Jobs important for Apple? What are the implications for Apple’s strategy?</td>
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<td>2. What is the role of innovation in Apple’s success?</td>
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<td>3. What should the new CEO of Apple do in the next six months to develop the organization? Why?</td>
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<td>Oct 30</td>
<td><strong>Module 8: Corporate Social Responsibility and Corporate Governance</strong></td>
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<tr>
<td></td>
<td>1. Is it possible to “do good” and to “do well” at the same time?</td>
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<td>2. Do socially responsible companies outperform other firms in their industry?</td>
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<td>3. Top management teams have three key activities – setting a direction, designing the organization, and nurturing a culture and ethics – are all part of what effective leaders do. Explain how these are interrelated</td>
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<td>4. What is the concept of moral hazard? How do firms prevent this?</td>
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<td>5. What is the agency problem? Who is charged with preventing it? Are there any ethical issues around this charge?</td>
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<td>Nov 6</td>
<td>Homework: the Reluctant Director</td>
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<td>Nov 11</td>
<td>In-class exercise: CEO compensation and ethics</td>
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<td>Nov 13</td>
<td>Review for exam, group projects</td>
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<td>Nov 18</td>
<td>Final Organizational Presentations (teams 1, 2)</td>
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<td>Nov 20</td>
<td>Final Organizational Presentations (teams 3, 4)</td>
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<td>Nov 25</td>
<td>Final Organizational Presentations (teams 5, 6)</td>
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<td>Dec 2</td>
<td>Final Organizational Presentations (teams 7, 8)</td>
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