

COURSE INFORMATION

Course title:	Strategic Management	Credits:	1.5
Course code:	BASM550	Class location:	HA 337
Session, term, period:	2019W2	Class times:	T-F 9am – 3pm
Section(s):	001		
Course duration:	Feb 18-21, 2020		
Division:	SBE		
Program:	MBAN		

INSTRUCTOR INFORMATION

Instructor:	Adam Pankratz	Office location:	DL 422A
Phone:	778.320.2187	Office hours:	Appointment
Email:	Adam.pankratz@sauder.ubc.ca		

COURSE DESCRIPTION

This course is taught over only 4 days. Due to its intensive nature it is highly recommended to read and prepare the cases and articles BEFORE the course starts. In particular, it is recommended to read the following cases:

- Performance Indicator
- Boeing vs Airbus (long article in course reserves)
- Nucor
- Apple

The main goal of this class is to help you answer a common, yet difficult, question: “How can a firm earn long-run, sustainable profits?”

An all too simple answer is “raise revenues and cut costs”. This answer, however, avoids the true nature of the question. Namely, given a firm’s context (i.e., location, products, customers, regulation, capital structure, access to financing, market structure, technology, culture, etc.) what can it do to increase its revenues, and cut costs? And, perhaps an even more difficult question, what can a firm do to avoid its profits being eroded by the actions of its competitors and other market actors?

There is no equation, recipe or formula that can perfectly answer these questions. This course will develop students’ critical thinking skills, technical tools, and rational judgment calls in order to understand the firm’s context and answer such questions case by case. Copycatting is not an answer. A successful strategy is a consequence of any firm’s own abilities and the context in which they operate. We will learn why two firms competing in the same market can both be successful by using different and well thought strategies.

LEARNING OBJECTIVES

The course covers seven major topics.

1. **Value Creation and Capture** – How does a firm create value for customers, and how can it retain some of that value as profit?
2. **External Analysis** – What competitive pressures does a firm face in its industry?
3. **Internal Analysis** – What enables some firms to be more profitable than others, even within the same industry? Long term, how can a firm maintain the profit arising from its competitive advantage?

4. **Scope of the Firm** – Which business opportunities and stages of production should firms be involved in and which should they leave to other firms?
5. **Strategy for Incumbents** – How can established firms in the market use the environment and its position to their favor and keep long term profitability?
6. **Strategy for Entrants** – How can a new actor use the investments made by established firms against them?
7. **Strategy and the organization of the firm** – What are the key trade-offs that a strategist faces when implementing the strategy within its organization?

From a conceptual standpoint, this is not a difficult class. Students will learn how to apply simple — yet powerful — ideas to a wide variety of situations. Simple strategic tools combined with a focus on your analytical and strategic thinking will set students with skills equally applicable today and in the future careers of students. This class aims to develop great strategic thinkers. In particular, the primary skills developed in this class are:

- **Diagnosis.** Can you identify the salient details of a situation and understand their strategic significance and implications? The goal is to synthesize relevant facts provided and to use strategic frameworks to understand the significance of those details.
- **Creativity.** One theme of the course is that you can't outperform your competitors by simply doing the same things they are doing. Finding new approaches and new ways to do things is often the key to a successful, profitable strategy.
- **Judgment.** The frameworks and tools we develop in this course need to be applied intelligently. This class teaches you to be a better — meaning a more systematic, logical, complete and critical — thinker about strategy. You should not expect to gain a body of business-related facts from this course. Instead, the aim is to teach you skills that will help you understand the significance of whatever set of facts you face in your future career.

The concepts, skills, and analytical tools that you will learn in this course rely on economic principles relating to firms' underlying organizational objectives. In particular, a business exists to generate wealth for its owners. To that end, a firm may have to consider stakeholders beyond shareholders. Although the primary focus of this class will be the creation and capture of economic wealth, a variety of other objectives may apply to certain firms in particular contexts. The concepts and tools discussed in class can be used to formulate strategy with any objective in mind. [Identify / explain / apply / analyze / integrate / evaluate / etc.] ...

ASSESSMENTS

Summary

<u>Component</u>	<u>Weight</u>
Group case	35%
Class participation	15%
Final Project	50%
Total	<u>100%</u>

Details of Assessments

Group Case (35%)

An important part of this course is learning to work collaboratively with others and learn from their varied experiences. As this course has a reduced amount of classroom time, one way you will do this is through group assignments. Together you will analyse a case study and submit a written report based on questions I will ask you. The goal is not simply to answer the questions, but delve deep into the strategic decisions and options available to the actors in the case study. Why would you do in their situation and why? Do you think they are acting rationally? Could they do better? How can they avoid the situation they find themselves in? These are but a few of the many questions you may ask yourself.

You will have two cases to submit, giving you ample time to receive feedback and improve your reports. This will help you in preparation for your group analysis project.

Case # 1 – 1500 Word Max with 2 page appendix

Class participation (15%)

The participation mark is a substantial portion of your final grade. It is so, because you are expected to be a relevant and active contributor to the class. The premise of this methodology is that you will learn as much from me as you will from your classmates' experiences and views. Thus, you must contribute to their learning as well. Activities contributing to participation are as follows:

Attendance and punctuality: As per RHL regulations on Professionalism, Attendance and Behaviour, students are expected to attend 100% of their scheduled classes except in the case of emergency (see regulation section of this outline). Attendance will count starting the first day of class. Students arriving late interrupt the flow of the class, and distract their classmates. Thus, arriving late will count as absent. If you arrive late, you may still participate in class discussion. **Attendance will count starting the first day of class.**

Class Participation: Students that participate in class will get participation points. There are different ways to get participation points. Whenever you **meaningfully contribute** to class discussion. A contribution may be an interesting question, remark, answer, refuting a classmate, etc.

My discretion: This will depend of the quality of your contributions, how well prepared you were during the semester, and my own judgment.

Most Valuable Strategist/Student

At the end of the term you will vote for the classmate(s) that meant the biggest contribution to your learning. In addition, the student will get a 100% mark in participation.

Final project (50%) – Firm analysis

Your group will work together with three objectives:

- 1) Choose a firm of interest.**
- 2) Prepare a write-up consisting of a (at most) 3000 word analysis of the strategy of the firm. (10% tolerance) and 2-4 pages of appendices**

The main objective of this assignment is to effectively apply the course concepts to a real-world situation of your choice. Interesting and successful analyses generally start with a concrete question/problem in

mind. For example, you might come across a retailer that has an interesting approach to differentiation, a technology company that has a particularly compelling competitive advantage, or a service company that is trying a new approach to value creation and capture. You may choose a strategy that has been a success, one that has failed, or one whose outcome is still uncertain.

Your analysis (presentation) should briefly describe the relevant details of the setting in one or two paragraphs (slides). The rest of the analysis (presentation) should focus on the main insights of your analysis. Your mark will depend on the clarity of your presentation, the quality of your report, and how well you apply class concepts to understand the problem that you have chosen. Keep in mind that whether you have chosen a really “cool” company is irrelevant, I am looking for a deep and thoughtful analysis. The more focused and specific a situation you choose, the better your analysis is likely to be. For example, don’t try to analyse “the strategy of Apple.” Instead, you could analyse “the introduction of Apple iOS 7” or “Apple’s outsourcing strategy.” The best analyses will be those in which applying the course concept reveals something insightful about the situation that isn’t initially obvious. In simple words, I want you to show me that you have learned something about the firm’s strategy by applying class concepts.

To help you move along with the assignment, you are required to give me with the background information that you will use for your analysis. The background information must be some kind of documentation that describes the situation that you are analysing. A newspaper or magazine article is the most straightforward source, although credible websites, annual reports, or other sources are acceptable. It is important to notice that the problem/situation must be new, i.e., it **must not** a firm analysed throughout the term.

The Final Project will be due Friday, March 6th at 11:59pm

LEARNING MATERIALS

News articles: All the news articles will be posted on Canvas.

Cases: There is a required case packet which can be purchased online at Ivey. Detailed instructions are posted on Canvas.

Textbook: Your textbook for this class is a subscription to *The Economist* magazine. In business it is essential to understand the world context in which you operate, the articles in *The Economist* will help you think about larger factors going on in the world.

I will also use as reference *Besanko, Dranove, Shanley and Schaefer* (henceforth, BDSS), *Economics of Strategy*, 6th edition, Wiley as well as *Strategic Management 12th ed*, Hill, Schilling, Jones, Cengage Learning, 2017. However, due to their price, I **do not** require students to buy the text. International editions and previous editions also work and are less pricey.

COURSE-SPECIFIC POLICIES AND RESOURCES

Missed or late assignments, and regrading of assessments

Late submissions will not be accepted and will receive a grade of zero.

Rubric of marking criteria for assignments can be found on Canvas.

Academic Concessions

If extenuating circumstances arise, please contact the RHL Graduate School program office as early as reasonably possible, and submit an [Academic Concession Request & Declaration Form](https://webforms.sauder.ubc.ca/academic-concession-rhlee) <https://webforms.sauder.ubc.ca/academic-concession-rhlee>. If an academic concession is granted during the course, the student will be provided options by RHL, or by the instructor in consultation with RHL, per [UBC’s policy on Academic Concession](#).

Other Course Policies and Resources

Code Plagiarism

Code plagiarism falls under the UBC policy for [Academic Misconduct](#). Students must correctly cite any code that has been authored by someone else or by the student themselves for other assignments.

Cases of "reuse" may include, but are not limited to:

- the reproduction (copying and pasting) of code with none or minimal reformatting (e.g., changing the name of the variables)
- the translation of an algorithm or a script from a language to another
- the generation of code by automatic code-generations software

An "adequate acknowledgement" requires a detailed identification of the (parts of the) code reused and a full citation of the original source code that has been reused.

Students are responsible for ensuring that any work submitted does not constitute plagiarism. Students who are in any doubt as to what constitutes plagiarism should consult their instructor before handing in any assignments.

POLICIES APPLICABLE TO COURSES IN THE ROBERT H. LEE GRADUATE SCHOOL

Attendance

Excepting extenuating circumstances, students are expected to attend 100% of their scheduled class hours. Absent students limit their own academic potential, and that of their classmates, and cause unnecessary disruption to the learning environment. Students missing more than 20% of the total scheduled class hours for a course (including classes held during the add/drop period) without having received an academic concession will be withdrawn from that course. Withdrawals, depending on timing, could result in a "W" or an "F" standing on the transcript.

Punctuality

Students are expected to arrive for classes and activities on time and fully prepared to engage. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving later than halfway through a scheduled class will be treated as absent for that class.

Electronic Devices

Devices such as laptops, tablets, and cell phones are not permitted to be used in class unless directed by the instructor for in-class activities. Students who do not follow the School's policy in this regard may be required to leave the room for the remainder of the class, so that they do not distract others. Research shows that students' use of laptops in class has negative implications for the learning environment, including reducing their own grades and the grades of those sitting around them.

Citation Style

Please use the American Psychological Association (APA) reference style to cite your sources.

Details of the above policies and other RHL Policies are available at:

<http://www.calendar.ubc.ca/vancouver/index.cfm?tree=12,199,506,1625>

UNIVERSITY POLICIES AND RESOURCES

UBC provides resources to support student learning and to maintain healthy lifestyles but recognizes that sometimes crises arise and so there are additional resources to access including those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated nor is suppression of academic freedom.

UBC provides appropriate accommodation for students with disabilities and for religious observances. UBC values academic honesty and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all of their actions. Details of the policies and how to access support are available on the UBC Senate website at <https://senate.ubc.ca/policies-resources-support-student-success>.

Academic Integrity

The academic enterprise is founded on honesty, civility, and integrity. As members of this enterprise, all students are expected to know, understand, and follow the codes of conduct regarding academic integrity. At the most basic level, this means submitting only original work done by you and acknowledging all sources of information or ideas and attributing them to others as required. This also means you should not cheat, copy, or mislead others about what is your work. Violations of academic integrity (i.e., misconduct) lead to the breakdown of the academic enterprise, and therefore serious consequences arise and harsh sanctions are imposed. For example, incidences of plagiarism or cheating may result in a mark of zero on the assignment or exam and more serious consequences may apply if the matter is referred to the President's Advisory Committee on Student Discipline. Careful records are kept in order to monitor and prevent recurrences.

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All materials of this course (course handouts, lecture slides, assessments, course readings, etc.) are the intellectual property of the instructor or licensed to be used in this course by the copyright owner. Redistribution of these materials by any means without permission of the copyright holder(s) constitutes a breach of copyright and may lead to academic discipline. Audio or video recording of classes are not permitted without the prior approval of the Instructor.]

ACKNOWLEDGEMENT

UBC's Point Grey Campus is located on the traditional, ancestral, and unceded territory of the xwməθkwəyəm (Musqueam) people, who for millennia have passed on their culture, history, and traditions from one generation to the next on this site.

COURSE SCHEDULE

Value Creation and Strategic Interactions

1. Feb 18th MORNING (Tuesday) What is Strategy? Introduction to the Economics of Strategy and Value Creation, Capturing Added Value (Irreplaceability)

- Syllabus, pp. 1-7.
- "Data Science and the art of persuasion" Berinato, Scott. HBR Dec. 2018
- Meddah, Mohamed Marwen, "Paper straw revival: Plastic straws are an endangered species," Vancouver Sun, April 22nd, 2016
- BBC NEWS, no author, "McDonald's to ditch plastic straws," June 15th, 2018
- HBO will lead AT&T's challenge to Netflix, The Economist, Business, Nov 3rd, No Author
- A. Efrati, "Samsung Sparks Anxiety at Google," *Wall Street Journal*, February 25, 2013.
- J. Cheng, "Samsung Drops Android for New Smartwatch," *Wall Street Journal*, February 23, 2014.

*Complementary*¹

- M. Porter, "What is Strategy?" *Harvard Business Review*, Vol. 74, Nov/Dec 1996, pp. 39-73 (available on Canvas²)

2. Feb 18th AFTERNOON (Tuesday) CASE: Performance Indicator

- [CASE] Performance Indicator – HBS 9-702-480 (*in case packet*).
- Adam M. Brandenburger and Barry J. Nalebuff, "The Right Game: Use Game Theory to Shape Strategy," *Harvard Business Review*, Reprint 95402. (available on Canvas)

Added Value, Irreplaceability and Industry Profitability

3. Feb 19th MORNING (Wednesday) Industry Analysis & Competitive Advantage

- "Japan's top two lavatory-makers are at last making inroads overseas," *The Economist*, Nov 11, 2017.
- N. Kleinfeld, "In Manhattan Pizza War, Price of Slice Keeps Dropping," *New York Times*, March 30, 2012.
- M. Porter, "The Five Competitive Forces that Shape Strategy," *Harvard Business Review*, Reprint #R0801E. (on Canvas)
- *Rivalry between Apple and Samsung in smartphones will grow fiercer*, *The Economist*, Business, September 17th, 2017, No Author

Complementary

- A. Brandenburger and H. Stuart, "Value-Based Business Strategy," *Journal of Economics and Business Strategy*, 5(1), pp. 5-24, 1996. (available on Canvas)
- BDSS pp. 258-284 (5th: 336-340; 344-350).
- BDSS pp. 301-327 (5th: 373-397; 400-407).
- BDSS pp. 293-302 (5th: 362-373)

4. Feb 19th AFTERNOON (Wednesday) CASE – Boeing and Airbus. Start of Differentiation and Sustaining a Competitive Advantage

- [CASE] Boeing vs Airbus (article in course reserves)
- Nordstrom Tries on a New Look: Stores Without Merchandise, *WSJ*, Sept 10th, 2017. Suzanne Kapner.
- K. O'Keefe, "The Cheapest, Richest Casino in Macau," *Wall Street Journal*, February 5, 2014. M. Delio, "Loud Hogs for Easy Riders," *Salon.com*, May 19, 2003.
- J. Hagerty, "Polaris Throws Down Against Mighty Harley-Davidson," *Wall Street Journal*, August 4, 2014.
- Circular Design Guide – Link on Canvas

Complementary

- BDSS pp. 363-394 (5th: 410-434).
- BDSS, pp. 177-180 (5th: 218-221).

Competitive Advantage: Sources, Change and Sustainability

5. Feb 20th MORNING (Thursday) CASE: NUCOR Case & finish Differentiation

- [CASE] NUCOR (In case packet)

¹ Complementary readings are **not** required to be read before each class. They are simply suggestions for the interested reader.

² Videos, Harvard Business Review articles, and podcasts available in **Library Course Reserve** on Canvas.

- Submitted to Turnitin by 9am

Boundaries of the Firm / Strategy for Incumbents and Entrants and Strategy and Organization

6. Feb 20th AFTERNOON (Thursday) Entry & Deterrence, Managing Rivalry & Strategy and Technology

- J. Wilke and S. McCartney, "American Airlines Wins a Victory As Judge Dismisses Antitrust Case," *Wall Street Journal*, April 30, 2001.
 - *Suits you, Japan's Start Today gives clothes retailers a glimpse of the future*, The Economist, August 18th, 2018, Business, No Author
 - *The \$100 billion bet*, The Economist, May 12th, 2018, Leaders, No Author
 - M-Pesa Mobile Payments video (on Canvas)
- Complementary*
- BDSS pp. 196-220 (5th: 73-93; 119-146; 150-171).

7. Feb 21st MORNING (Friday) CASE – Apple Case & Start of Boundaries of the Firm

- [CASE] Apple Inc. in 2015 HBS- 9-715-456 (case packet)

8. Feb 21st AFTEROON (Friday) Boundaries of the Firm I & II

- *Clout and Reach – Why Barclays and Standard Chartered should merge*, The Economist, Dec 1st, 2018, Schumpeter.

Complementary

- BDSS pp. 61-76, 83-92 (5th: 41-61; 175-197).
- L. Story and B. Barboza, "Mattell Recalls 19 Million Toys Sent From China," *New York Times*, August 15, 2007.
- S. Carey and A. Gonzalez, "Delta to Buy Refinery in Effort to Lower Jet-Fuel Costs," *Wall Street Journal*, April 30, 2012.
- *Kill or Cure? Takeda's acquisition of Shire is Japan's biggest-ever takeover*, The Economist, Dec 8th, 2018, No Author.
- BDSS pp. 98-127 (5th: 73-93; 119-146; 150-171).