



UNIVERSITY OF NOTRE DAME
MENDOZA COLLEGE OF BUSINESS

**MGTO 70110 – Strategic Decision Making
Fall 2018 (Module 2)**

Professor	Dr. Adam Wowak
Office	353 Mendoza
Office Hours	By appointment
Phone	574-631-8614
E-Mail	awowak@nd.edu
Class Location	Section 1: Tuesdays and Thursdays, 162 Mendoza, 8:00-9:50am Section 2: Tuesdays and Thursdays, 162 Mendoza, 10:00-11:50am
Course Webpage	via Sakai

Course Overview and Objectives

Summary

Why do some firms outperform others? This question lies at the core of strategic management, which is essentially the study of why some companies succeed while others fail.¹ Compared to other business-school courses that pertain to specific functional disciplines (e.g., finance, marketing, accounting, etc.), strategic management requires taking a “big-picture” view of a company’s situation and deciding upon courses of action that will help a company win against rivals in the marketplace. Our frame of reference will be that of a firm’s CEO or top management team, and over the course of the semester we’ll learn how to assess a company’s external and internal situations, how to use that information to craft a coherent strategy, and how to deal with the challenges of decision making under conditions of uncertainty. In short, we’ll explore how firms create unique value that can serve as the basis of a competitive advantage.

Course Overview

The course is broadly divided into six units: (1) Overview of strategy; (2) External analysis; (3) Internal analysis; (4) Business-level strategy; (5) Corporate-level strategy; and (6) Corporate governance and strategy implementation. We’ll spend roughly two classes on each. The six units represent a progression from lesser to greater levels of complexity, as over the next seven weeks we’ll transition from a focus on how firms compete within a single industry to a focus on how multi-business conglomerates with global operations attempt to create value.

¹ A more formal definition from the academic literature: “The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments.” (from Nag, R., Hambrick, D.C., & Chen, M.-J. 2007. What is strategic management, really? Inductive derivation of a consensus definition of the field. *Strategic Management Journal*, 28(9): 935-955.)

Objectives

My goal is that by the end of the semester, you will be better-equipped to:

1. Describe the basic theories and concepts of strategy.
2. Analyze why some firms outperform others.
3. Apply strategy tools to real-world companies and situations.
4. Question the wisdom of companies' strategic decisions in real time.
5. Communicate your ideas verbally in front of an audience.

It probably goes without saying, but the main idea isn't to simply memorize a few definitions or buzzwords. Instead, I'm hoping that you'll come out of the course with a practical toolkit of perspectives and techniques that you feel confident applying to real-world situations on your own. No matter what direction your career ends up taking you, an understanding of strategy is a very useful thing to have.

Required Materials

Course packet from Harvard Business Publishing. I've compiled a set of core readings and cases that will form the basis of our class discussions, quizzes, and final exam. You can purchase the packet using the link below, and you'll have to register with the site if you haven't previously created a profile:

<https://hbsp.harvard.edu/import/564257>

The packet contains 6 readings and 4 cases, and should cost around \$55 per digital copy. One of the four cases (Mobileye) forms the basis for group case assignment, which is described in more detail later in the syllabus. The publisher also gives you the option of ordering a printed readings packet for an extra fee, although I don't know how much this costs. And not that anyone would do such a thing, but please note that copying others' packets (rather than buying your own) is a violation of the authors' and publishers' intellectual property rights. You should purchase the readings packet prior to the second day of class (Thursday, October 25th).

Business press articles. As you'll see later in the syllabus, I often assign a free news article or column from the business press that fits with the topic we're covering that day. These usually relate to current events in the business world that can serve as good material for discussion in class. They tend to be pretty quick reads (usually 5 minutes or less), and are intended to provide real-world illustrations of the theories and concepts we cover. You'll find links to these articles in the class descriptions on pages 6-9, and I may periodically email or post new ones over the course of the semester. Please come to class prepared to discuss these.

Also, if you come across an article that ties into our course in any way, please feel free to send it to me. I'll try to tailor our discussions to companies and industries that you find interesting, so by all means let me know. I'm also happy to discuss articles outside of class as well.

Administrative Notes

- I'm always happy to meet with you at a mutually convenient time outside of class – just email or talk to me before or after class to set up a meeting. Email generally works best. Please don't hesitate to visit if you have questions or concerns, or even if you just want to chat about the course. I'm also willing to help to the best of my ability with career issues and grad school questions.
- I will post materials on Sakai during the term, including the syllabus, lecture slides, and information on the group case project. Please check it regularly.
- The class contribution grading policy is detailed on the next page, but I'll briefly discuss it here. There is no need to let me know that you'll be absent for a class, as I trust you have a legitimate reason. But it's also true that class attendance tends to be positively correlated with one's level of class contribution, so you don't want to miss any more than you have to. There are no makeups for missed quizzes (also discussed later in the syllabus), although I only count the highest 3 out of 4; in other words, missing one quiz for an interview won't affect your grade. If you do miss a class, you can contact a member of your group or a friend for any notes or materials that we covered in class. Finally, and as a bit of general advice (this applies to any course, not just mine), emailing the professor and asking "Did I miss anything important in class?" is not a good idea. With only seven weeks to get through a lot of material, I try to make the most of every session to ensure that we're not wasting time on unimportant topics.

Course Grading

Your course grade will be based on the following criteria:

Class contribution & professionalism	20%
Quizzes	10%
Group case assignment	30%
Final exam	<u>40%</u>
<i>Total</i>	<i>100%</i>

Course final grades will be calculated according to the following scale:

A	93 and above
A-	90-92
B+	87-89
B	83-86
B-	80-82
C+	77-79
C	73-76
C-	70-72
D	60-69
F	59 and below

Class contribution and overall professionalism (20% of grade)

This course is intended to be interactive, as much of the material we cover is designed to stimulate discussions and debate. Please come prepared to each class having read the assigned materials and ready to participate in the discussion. This portion of the grade will reflect the extent to which you offer insights on the day's topic, contribute to small group breakout discussions and exercises, and show respect for classmates and me. Active participation makes class more enjoyable for everyone, and helps you and your fellow classmates learn more effectively than simply listening to me lecture.

What constitutes good participation? The following list should help:

1. Making evidence-based comments and recommendations.
2. Distinguishing between data, opinions, and guesswork.
3. Demonstrating an understanding of the reading or case.
4. Building on the comments of others.
5. Being a good listener and respecting your peers' opinions.
6. Asking thoughtful questions.

I can also guarantee that regularly contributing in class improves your odds of doing well on the exam, as much of the test material will be taken directly from our class discussions. Finally, I occasionally cold call if I haven't heard from someone in a while, so please be ready to share your thoughts on the day's assigned material.

Calculating contribution grades

Contribution grades are not assigned randomly, nor are they based on one or two memorable class sessions; rather, they reflect your cumulative track record of preparing for class and actively contributing. This is something that I pay close attention to and keep regular notes on. While the final score will be reflective of your semester-long performance on this dimension, the following rubric is a helpful way to think about contribution on an individual class-by-class basis:

0	2	4	6	8	10
					
Absent or using cell phone	Disrupting attention (e.g., talking with neighbors)	Partial attention (e.g., arriving late for no good reason)	Full attention without adding to the discussion	Contributing to class in a meaningful way	

Thus, simply showing up on time and paying attention in class gets you to an 8 out of 10 – to move up from there, you should get involved and contribute something meaningful to the day's discussion. As a tip, the conversations we have in class around the current event readings are an easy opportunity for you to demonstrate that you're keeping up with the material. These types of contributions will be positively reflected in your grade.

Electronic devices

While I understand that some people use their laptops to take notes in class, I've found that laptops (and electronic devices in general, particularly cell phones) do more harm than good to the overall classroom learning environment.² As such, all laptops, phones, and other devices should be put away during class. It's easier than you might think to spot people texting or surfing the internet from my vantage point in the classroom, and I want to be honest in letting you know that this is one of my pet peeves. Using your phone in class will always lower your contribution grade (see rubric above).

Quizzes (10% of grade)

At the beginning of four random classes during the semester, you will be asked to answer a few written questions related to the assigned material for that day. These are designed to reward you for keeping up with the readings, and are an easy way to rack up points for your final grade. You can drop or miss one of these for any reason, as I'll only count the highest three out of four quizzes.

Group case assignment (30% of grade)

For this project, you'll work with your teams to complete a written analysis of a business case. I'll give you specific assignment questions to focus on in your report. We'll talk more about this in class, but the final product should reflect a rigorous analysis of the situation described in the case. High-scoring reports will use data and hard evidence to justify the arguments made. Paper copies of your final reports are due on Tuesday, November 20th by the start of class. I'd also like you to email me an electronic copy of your final report. No late reports will be accepted.

Team member evaluations

Toward the end of the semester, each team member will confidentially rate their fellow members on their contributions to the team. Based on these evaluations, I may increase or decrease an individual's class contribution and professionalism score. For instance, if a particular member is deemed by his or her teammates to have done much more work than everyone else, I may raise his or her score. On the other hand, if I hear from multiple teammates that a certain member didn't pull their proper weight on the project, I may lower his or her score. More information on the evaluations will be provided as the end of the semester approaches.

Final exam (40% of grade)

The final exam will be a combination of multiple choice and short answer questions that are designed to test your knowledge of concepts and topics that we cover in class. Barring a documented emergency, missing the exam will result in a grade of zero. Please contact me immediately (or have a friend or family member contact me) in the event of a medical or family emergency.

² If you're interested in reading more about why this is the case, internet technology expert Clay Shirky offers a compelling argument: <http://tinyurl.com/laptopsaredistracting>.

Detailed Course Schedule

Unit 1: Overview of the field (Tues. 10/23 and Thurs. 10/25)

To begin the semester, we'll go over the course plan and start to become familiar with the basic concepts of strategic management. We'll also introduce the Strategy Diamond framework that much of the course is organized around. Please note that the two readings for Class 2 are not in the packet – you can follow the links below to access them for free via ND libraries.

Class 1 – Introduction (Tues. 10/23)

Readings:

- “HBO must get bigger and broader, says its new overseer.” *New York Times*, 7/8/2018. Available at <https://tinyurl.com/HBOandATT>.

Class 2 – Overview of the field (Thurs. 10/25)

Readings:

- Porter, “What is strategy?” Available via ND Libraries at <https://tinyurl.com/strategyisbeingunique> [Click on EBSCO link to access PDF article.]
- Hambrick & Fredrickson, “Are you sure you have a strategy?” Available via ND libraries at <https://tinyurl.com/strategydiamond>. [Click on EBSCO link to access PDF article.]

Unit 2: External analysis (Tues. 10/30 and Thurs. 11/1)

In this section, we'll discuss tools and frameworks that managers use to assess their companies' external environments. We'll focus on issues at both the macro-environmental level (e.g., the country- and society-level factors that managers have to consider when deciding upon a strategy) as well as the industry level (e.g., how the structure of the industry affects the long-term profitability of firms within it).

Class 3 – External analysis (Tues. 10/30)

Readings:

- Magretta, “The five forces: Competing for profits.”
- “Is Spotify really worth 20bn?” *The Guardian*, 3/2/2018. Available at <https://tinyurl.com/spotifyin2018>.

Class 4 – Cola wars case (Thurs. 11/1)

Readings:

- “Cola wars continue: Coke and Pepsi in 2010.”

This case, which focuses on the soft drink industry and its two major participants (concentrate producers and bottlers), illustrates how and why differences in industry structure lead to differences in average profitability. We'll use Porter's Five Forces model to investigate how this

works. For this case, as well as all of the other cases we'll read this semester, I've listed some questions (top of next page) that you should be prepared to discuss in class.

- ✓ Why, historically, has the soft drink industry been so profitable?
- ✓ Why is the concentrate business more profitable than the bottling business?
- ✓ How has the competition between Coke and Pepsi affected industry profits?
- ✓ What are the major issues facing these two companies going forward?

Unit 3: Internal analysis (Tues. 11/6 and Thurs. 11/8)

Next, we'll turn our attention to factors inside the firm and how they affect profitability. We'll introduce several tools that can be used to determine whether a firm is well-suited to succeed in the long run, and we'll discuss concepts such as resources, core competencies, and value chains.

Class 5 – Internal analysis (Tues. 11/6)

Readings:

- Rothaermel, "Internal analysis: Resources, capabilities, and activities."
- "Pipelines, platforms, and the new rules of strategy." *Harvard Business Review*, 4/1/2016. Available at <http://tinyurl.com/pipelinesandplatforms>.

Class 6 – Tesla Motors case (Thurs. 11/8)

Readings:

- "Tesla Motors."
- "Elon Musk: Tesla has moved from 'production hell' to 'delivery logistics hell.'" *Washington Post*, 9/17/2018. Available at <https://tinyurl.com/teslagrowingpains>.

This case tells the story of Tesla Motors, a relatively new company located in Silicon Valley that is trying to become the first U.S. company to successfully enter the car industry with a mass-produced car since WWII. We'll explore why this is such a challenging endeavor and how Tesla has attempted to overcome the substantial barriers to entry that exist in this industry. We'll also examine the dynamics of strategy and competitive advantage, focusing specifically on how Tesla's competitive position may evolve over the next few years.

- ✓ Why is it so difficult to successfully enter the car industry with a mass-produced car?
- ✓ How did Tesla overcome the entry barriers in this industry?
- ✓ Does Tesla have a competitive advantage? How will their position evolve over the next few years?
- ✓ Given what's happened with Tesla since the original case was published, how optimistic are you that the company can successfully scale up?

Unit 4: Business-level strategy (Tues. 11/13, Thurs. 11/15, and Tues. 11/20)

Now that we've learned about how managers analyze their environments, it's time to delve into the actual strategies they use to win against competitors. This section of the course deals with

how firms choose to compete within a given industry. We'll discuss the concept of competitive advantage and why it is so central to strategy, and we'll introduce the two generic approaches firms use to create competitive advantages (cost-based and differentiation-based).

Class 7– Competitive advantage (Tues. 11/13)

Readings:

- Ghemawat and Rivkin, “Creating competitive advantage.”

Class 8 – The strategy diamond (Thurs. 11/15)

Readings:

- Hambrick & Fredrickson, “Are you sure you have a strategy?” (review)
- “Starbucks vs. Dunkin’: Business models compared.” *Investopedia*, 7/11/2018. Available at <http://tinyurl.com/dunkinstarbucksmodels>.

Class 9 – LEGO case (Tues. 11/20)

Readings:

- “LEGO.”

LEGO has emerged as one of the most successful companies in the toy industry, but it hasn't exactly been a smooth ride to the top. This case describes the company's rise, fall, and revitalization under the leadership of CEO Jørgen Vig Knudstorp. We'll examine the strategic choices they've made over the years, particularly in terms of how they've tried to manage the tradeoffs between growth through innovation, staying true to the company's core, and controlling operational complexity.

- ✓ What led LEGO to the edge of bankruptcy?
- ✓ How did Knudstorp turn things around?
- ✓ Should LEGO launch the line of board games described in the case?

Unit 5: Corporate-level strategy (Tues. 11/27 and Thurs. 11/29)

We'll next shift our focus to the more complex issues faced by large, diversified firms doing business in multiple countries. Topics that we'll cover include corporate diversification and the scope of the firm, modes of entry (acquisitions, internal development, JVs/alliances, and licensing/franchising), and firm internationalization. While the previous section of the course dealt with how firms compete within a given industry or segment, this section will address questions such as “In which businesses should we compete?” and “How will diversification into a new business help us compete in our other businesses?”

Class 10 – Corporate-level strategy (Tues. 11/27)

Readings:

- Dess, McNamara, & Eisner, “Corporate-level strategy.”

- “‘I ultimately am not afraid to get fired’: Leaked audio captures Whole Foods CEO John Mackey describing clashes with Amazon.” *Business Insider*, 6/13/2018. Available at <https://tinyurl.com/amazonandwholefoods>.

Class 11 – Global strategy (Thurs. 11/29)

Readings:

- Rothaermel, “Global strategy: Competing around the world.”

Unit 6: Corporate governance and strategy implementation (Tues. 12/4 and Thurs. 12/6)

The final section of the course will focus on the people at the top of the organization and how their actions influence firm strategy. We’ll examine the checks and balances that boards of directors use to motivate top executives, with an emphasis on issues related to executive pay. We’ll finish the course by discussing strategy implementation, or the actions firms take to execute their plans.

Class 12 – Corporate governance (Tues. 12/4)

Readings:

- Rothaermel, “Corporate governance.”
- “Safety suffers as stock options propel executive pay packages.” *New York Times*, 9/11/2015. Available at <http://tinyurl.com/optionsandrecalls>. [Note: You may recognize someone in this article.]

Class 13 – Strategy implementation (Thurs. 12/6)

Readings:

- “Star model.” (Handed out in previous class)

Class 14 – Final exam (Tues. 12/11)

Additional Notes

Everyone has the right to take the course without undue hardship deriving from physical or learning disabilities. If any of these apply to you, please notify me during the first week of class and I will strive to make the appropriate accommodations.

Everyone in the course is expected to adhere to the Mendoza Graduate Academic Code of Honor, which can be found online [here](#). Acts of academic dishonesty such as plagiarizing or copying off of others during exams will not be tolerated. The Mendoza Honor Code pledge, which can be found [here](#), sums it up: “The Mendoza College of Business graduate business students, united in a spirit of mutual trust and fellowship, mindful of the values of a true education and the challenge posed by the world, agree to accept the responsibilities for honorable conduct in all academic activities, to assist one another in maintaining and promoting personal integrity, and to abide by the principles and procedures in this Honor Code.

Tentative Course Schedule

Class	Date	Topic	Course packet reading (in packet unless indicated otherwise)	Business press reading (see links above)*	Note
1	Oct. 23	Introduction		HBO-AT&T merger (NYT)*	
2	Oct. 25	Overview of the field	(1) “What is strategy?”* (2) “Are you sure you have a strategy?”*		
3	Oct. 30	External analysis	“The five forces: Competing for profits”	Spotify valuation (The Guardian)*	
4	Nov. 1	Case discussion	Cola wars case		
5	Nov. 6	Internal analysis	“Internal analysis”	Pipelines and platforms (HBR)*	
6	Nov. 8	Case discussion	Tesla Motors case	Tesla growing pains (Washington Post)*	
7	Nov. 13	Business-level strategy	“Creating competitive advantage”		
8	Nov. 15	The strategy diamond	“Are you sure you have a strategy?”*	Starbucks vs. Dunkin’ Donuts (Investopedia)*	
9	Nov. 20	Case discussion	LEGO case		Case assignment due
10	Nov. 27	Corporate-level strategy	“Corporate-level strategy”	Amazon-Whole Foods merger (Business Insider)*	
11	Nov. 29	Global strategy	“Global strategy”		
12	Dec. 4	Corporate governance	“Corporate governance”	CEO stock option pay and product recalls (NYT)*	
13	Dec. 6	Strategy implementation	“Star model” (To be handed out in class)		
14	Dec. 11	Final exam			Usual class time and location

* Not in the packet. See “Detailed course schedule” section above (pages 6-9) for link to reading.