

BUS 272 - Strategy in Entrepreneurial Firms - Spring, 2005

PROFESSOR: Dr. Page West 758-4260 Office hours:
313 Kirby Hall westgp@wfu.edu M/W 10:00 – 12:00 & by appointment

CLASS MEETINGS: Monday & Wednesday 2:30 – 3:45 pm, Room 103 Kirby Hall
Occasionally, we may have guest speakers & will meet at other times in lieu of class.

COURSE OVERVIEW: Strategy is a critical component for small entrepreneurial companies, just as it is for large. Strategic Management focuses on determining the shape and character of the total enterprise. Strategy is concerned with setting direction for the enterprise, determining the basis on which the organization will compete, evaluating opportunities for growth, and initiating actions that will enhance competitive performance. These activities are undertaken within an environment that is constantly changing because of technological advances, increased global competition, shifts in consumer demand, changing legal and regulatory pressures imposed by government, and actions undertaken by competitors.

Strategic Management as a discipline of study draws on liberal arts traditions including economics, psychology, sociology, biology, and others. It represents both a foundation upon which efforts in functional areas of business should be built, as well as an approach that integrates functional efforts into a unified whole. The challenge of strategy is one of understanding and effectively managing a series of contradictions. These include the simultaneous demands to focus on the short term and the long term, the detail and the big picture, the subjective and the objective, the logical and the passionate, the strategic and the tactical, reflection and action, thinking and intuition.

COURSE OBJECTIVES:

1. To develop an understanding of frameworks used in making sound strategic decisions.
2. To understand how these frameworks apply to smaller entrepreneurial companies and situations.
3. To develop the conceptual skills and sharpen your sense to blend and integrate these tools and thinking with functional skills developed in other coursework.
4. To further develop your analytical skills and to learn to communicate your analyses, both in oral and written form.

In short, the ultimate objective is to get you to think and act as a strategic entrepreneur.

READINGS

There is no textbook for this course. Virtually all the strategy textbooks deal with large multi-national firms, and all the entrepreneurship textbooks contain no strategic management content.

Harvard cases & readings. (required - purchase at bookstore)

Other required materials are available on Balckboard. Visit the following website right away to log in for this course and make these materials available:

<http://balckboard.wfu.edu/>

PERFORMANCE EVALUATION: The nature of the material in this course does not lend itself to uncomplicated questions and objective, straightforward answers. There are no "right" or "wrong" answers on many issues; however, there are distinctions in quality of thought. *The quality of critical thinking, supported by evidence and information, will be the fundamental basis upon which your efforts will be evaluated.* By critical thinking is meant an emphasis on going beyond the facts and information as presented, to premises which you believe are reasonably supported by facts, to conclusions and actionable recommendations based on premises, and to the performance implications of your recommendations. Do not merely discuss *what* companies have done; you will earn higher grades to the extent that you increasingly address the following fundamental questions:

- *why* do a company's actions create advantage
- *why* will their actions work in support of a particular type of strategy or advantage
- what is the *expected* financial & performance impact of your strategic recommendations

Refrain from broad generalizations and superficial analysis. Good work in this course integrates the specifics of analysis with conceptual ideas, and moves to recommendations and estimated results. These comments hold true for both written work as well as in-class discussion.

Guidelines for Written Work. All written assignments turned in must be word-processed on standard 8.5" x 11" paper. All work must have 1-inch margins all around, a 12 point Times font, and be *single spaced*. Succinct, high-impact work is valued. I put strict page limits on all written assignments, so you must focus your writing carefully. Submissions are not accepted late, out of specification, or in any form that obtains an unfair advantage over other students. You should submit work early if you know you will miss a class.

ASSIGNMENT DESCRIPTION: The assignments and their weights in this course are as detailed below:

Project	Individual / Group	% Weight
Class contribution	Individual	25
Case brief writeup	Individual	10
Short class presentation	Group	10
Midterm examination	Individual	25
Strategy project*	Group	30
* Peer evaluations of team contribution will be made at the end of the semester.		

CLASS CONTRIBUTION. This class emphasizes contribution, not participation and not mere attendance. Substantive analytical and conceptual arguments that drive a discussion deeper and broader, and which increase learning by all - this is contribution. Seek to take the floor during a class discussion and explore an issue's causes, consequences, and strategic ramifications in depth. This isn't easy at first, but does get easier over time. Advance preparation is the key to success. You are expected to have fully read and substantively analyzed required materials for that day. I will push to move our level of analysis deeper, while trying to maintain an atmosphere where all may join in and feel comfortable in doing so.

I grade class contribution each day, and I use a 0-4 scale to rate each individual. You may consider the numerics roughly equivalent to GPA scores. Those who fail to attend class will receive a zero for that class.

CASE BRIEF WRITEUP. Each student will select one class discussion case, and will provide a brief summation of the case in written form. The brief should be a maximum of two pages. *Do not waste time in limited space by summarizing what has happened in the case!* The brief should

- Outline in bullet-point fashion the *key issues* raised by the case (no more than 3-4 issues).
- Present a thorough analysis of the situation depicted in the case. This does not mean describing the history and the facts in the case. I know those already because I have read the case too. This should be your analysis of cause-effect, of assumptions that need to be changed, of facets that are critical.
- Offer a specific decision and/or action plan.
- Discuss why the decisions and/or actions should make improvements.

Each of these points should be covered. Exhibits that provide backup data and support for your analysis and recommendations may be attached, and should not be included within the body of the 2-page document. Grading emphasis is on the quality of thought informed by analysis.

This assignment must be entirely and individual effort. Do not leave this assignment until the last minute; there is always substantial analysis and/or reflection involved in sufficient case preparation. I encourage you on this - as well as on other cases we do - to read the case early on, then reread it again as you sit down to begin outlining your analysis.

SHORT CLASS PRESENTATION "Reflections". Groups of students will each make one short presentation to the class on a topic of your own choosing. Each presentation should last 15-20 minutes, and should be informal. The idea here is to identify an interesting situation and to discuss it in the context of strategic management tools and frameworks that have been reading about. The emphasis for the presenters should be roughly 1/3 on the situation, 1/3 on your analysis, 1/3 on implications or questions raised by your analysis.

MIDTERM EXAM. There will be one examination in this course, toward the middle of the term. The exam may be either an in-class or take-home exercise. A case may be assigned for your evaluation, or you may be asked questions on other cases or issues discussed in class. There will be no final exam in this course.

STRATEGY PROJECT. Teams of students will form to conduct a strategy analysis of a company. This is the major term project for the course. The nature of this project is left open-ended, and is to be determined by your team. Each project should utilize the tools and analytical frameworks explored in this course. Some project options include:

- a) Take an entrepreneurial firm and do a formal strategic audit, including industry and competitive analysis, and company analysis. Identify strategic issues facing the firm, and make your own recommendations on those issues.
- b) Prepare a business plan for an entrepreneurial startup, with particular emphasis on the business model, value proposition, competitive analysis, and organization and financing needs.
- c) Develop a strategic plan for an existing company to enter a new type of business, or to use the internet to open a new distribution channel.
- d) Perform a strategic analysis for an existing startup to take the company to the next stage of development. This might involve new market development, production, management, or financing issues.
- e) Other projects of your own choosing, subject to approval by the professor.

Important Dates for this project:

- January 24 each team must be formed. Submit names, email addresses & phone numbers of team members.
- January 31 each team must turn in a short memo outlining its project and its research plan. Potential sources of information and data for the project should be identified. Each team should also indicate how it will divide up research responsibilities among the team members.

Each team must place itself in the position of the management of the company it is studying, and devise its own solutions to the problems and strategic issues the company is facing. In its research each team may encounter others' recommendations; it need not be bound by these - in fact, it should question and challenge them based upon its own independent evaluation of the industry and company. Each team should detail the financial ramifications of its strategic recommendations - the costs of implementing its recommendations, how these will be financed, etc. This section should also outline expected goals and competitive performance implications to be accomplished by following the recommendations. Such goals and implications should be quantitatively outlined (i.e. be specific, don't be general).

The final written report must be turned in on the last class day for the course. The report may not exceed 12 pages, before exhibits (see writing guidelines, above).

A 25 minute oral presentation should highlight salient aspects of the entire report for the class and other interested observers. Project groups will be randomly assigned to presentation dates. The oral presentation must be polished and professional; proper attire is required. *All members of the group must participate in the oral presentation.*

Some important notes on your research:

Do not spend time and space merely listing facts and data in this project, or in reporting what companies are doing. The emphasis is on analysis of facts and data, and on their import for the industry competitors in general and the company in particular. The recommendations and implications sections of your report and presentation should account for 50-60% of the effort. An understanding of why companies take certain actions, and how such actions will enhance competitiveness and performance is the goal. Use exhibits to illustrate the data you gather. Critical thinking is the basis for the grade on this project. Here, critical thinking is illustrated by evaluation of the company's situation, identification of reasonable alternatives, thoughtful recommendations for action, and an understanding of expected performance implications.

This project will require significant data gathering and competitive intelligence on the company, its industry, and its competitors. The essence of strategy is in the quantitative details that support critical evaluation. Do not merely rely on articles in the popular business press or those available electronically; there is much more out there that can be helpful, but it requires some effort and some digging. See the list of resources below, in the textbook, and in my online research resource guide. Don't just limit yourself to on-line information, either. Use the library! Collect information from industry associations and firms involved in the industry. Supplement the information that you get from secondary sources with personal interviews of industry participants/experts. Call the company and speak to its representatives or strategy-makers! Make sure that all sources of information used in the report are accurately cited and referenced (exhibits, citations and references are in addition). Be creative, be thorough, and have fun with this!

Teams should meet throughout the semester to make continual progress on the project. Do not leave this project until just before the due dates. The amount of research and analysis involved is substantial, and cannot be completed in a short time frame.

Sources of information for Strategy Projects

- Annual reports - of target company and of competitors
- SEC filings
- Moody's Manuals
- Standard & Poor's Corporation Records
- Dun & Bradstreet
- Value Line
- Analysts' opinions
- Department of Commerce
- Wall Street Journal & Wall Street Transcript
- Trade associations
- Interviews with executives & former executives
- Dow Jones News Retrieval

Much of this is now available online, but.... Do not simply consult online web-based resources! There is much more information available in hardcopy form that you cannot locate on the web. For specific industry or company data issues please consult Elizabeth Leonard at the Reynolds Library reference department. She is an expert in locating material related to business and economics.

TEAMWORK AND PEER EVALUATION. The Strategy Project requires effective teamwork among members of teams. My assumption is that teams will work together effectively, and that each member of the team will put forth an equal and dedicated level of effort. A "peer evaluation" form will be used at the end of the semester. Individuals may lose points on their group projects if they receive low ratings from other members of their teams.

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<u>Date</u>	<u>Topic & Preparation</u>	<u>Readings</u>
	Note locations for all readings and cases BB = Blackboard, HBS = Harvard material	
1/12	Course overview Sign up for case briefs Sign up for class discussion topics Go to Blackboard website site, register, and download relevant materials as they are posted. http://blackboard.wfu.edu/	

1/17	Martin Luther King, Jr. holiday	Strategy Introduction (BB)

1/19	Industry & competitive analysis	Note on Structural Analysis (HBS) Begin reading Coke vs. Pepsi case
	Preparation	
	<ul style="list-style-type: none">• What are the ideas that you think are most essential to the definition of strategy?• Choose an industry with which you are familiar. What key dimensions distinguish among competitors in this industry?	

1/24	Industry & competitive analysis	CASE: Coke versus Pepsi in the 1990s (HBS)
	Preparation	
	<ul style="list-style-type: none">• Consider the soft drink industry in two time periods - one in the years up to the Pepsi Challenge, and one in the years afterward when competition escalated. In each time period use Porter's 5 forces to analyze the nature of the competition.• With this background, consider .	

1/26	No class	CASE: Snapple (BB)

1/31	Industry & competitive analysis	Continue discussion of soft drink industry
	Preparation	
	<ul style="list-style-type: none">• Why was Phillip Morris was unsuccessful in their 7-Up acquisition?• Why was Snapple, on the other hand, successful?• What can we conclude about new entrants in concentrated industries?	

2/02	Industry & competitive analysis	CASE: DAG Group (HBS)
	Preparation	
	<ul style="list-style-type: none">• Is there an opportunity for a new entrant to essentially change the game in dry cleaning? If not, why not? If so, why have Chris and Val not yet been able to capitalize on it?• What are the tradeoffs between the acquisition and startup routes? Should they just go ahead and open their own store? What would you do?	

2/07	Reflections on industry analysis	Value chain chapter (BB)
	Presentations in class	

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----- 2/09	Value chain analysis	CASE: Passion For Learning (HBS)
	Preparation	
	<ul style="list-style-type: none">• Describe the kind of relationship which PFL hopes to create between its suppliers and its customers. What role does PFL expect to play in this relationship?• Does PFL in fact create the value for its customers it expected to, and can it capture any of the value it does create?	
----- 2/14	Value chain analysis	Generic strategy chapter (BB)
	Preparation	
	<ul style="list-style-type: none">• Think of a company that is particularly strong in some functional area like marketing or finance. Now ask yourself what it is which is behind the scenes which enables it to be so strong in this area? What actions do they take, who are the people involved? Is their strength something momentary or do you think it will last?• Can you think of an industry whose value chain is being considerably modified? What does this mean for companies competing in the industry?	
----- 2/16	Generic strategy	CASE: E*Trade Securities (HBS)
	Preparation	
	<ul style="list-style-type: none">• Note: Do not update the case with current information; just use data & info in the case as presented.• What has been the source of e*Trade's competitive advantage to date?• What option(s) present the best opportunity to fend off Schwab? What are the tradeoffs for the approach you recommend? Why?	
----- 2/21	Generic strategy	CASE: Celestial Seasonings (BB)
	Preparation	
	<ul style="list-style-type: none">• Why was Celestial Seasonings able to beat Lipton?• Describe carefully the nature of the strategic actions the company took, and their performance & financial ramifications.	
----- 2/23	Reflections on value chain & generic strategy	What is Strategy? (HBS)
	Presentations in class	
----- 2/28	Generic strategy & entry strategies	Core Competence of the Corporation (HBS)
	Preparation	
	<ul style="list-style-type: none">• Do generic strategies <u>always</u> work? Why or why not? When do they <u>not</u> work?• What other strategies are available to entrepreneurial firms?• What is a core competence? Take any company you'd like, and articulate clearly what you believe its core competence to be.	
----- 3/02	Midterm examination	

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<u>Date</u>	<u>Topic & Preparation</u>	<u>Readings</u>
3/14	Life cycles of new ventures Preparation <ul style="list-style-type: none">• What are the strategy issues that new ventures confront in various stages of their development?• What are the growth issues that new ventures confront in various stages of their development?• What are the implications for resource needs & how do new ventures acquire these resources?• How do you measure performance of new ventures?	Linking the Balanced Scorecard to Strategy (HBS)

3/16	Performance measurement Preparation <ul style="list-style-type: none">• See handout by professor	CASE: Chadwick's (HBS)

3/21	Startup issues Preparation <ul style="list-style-type: none">• See handout by professor	CASE: Handspring (HBS)

3/23	Market entry Preparation <ul style="list-style-type: none">• See handout by professor	CASE: Championship Foods (BB)

3/28	Internet strategy Preparation <ul style="list-style-type: none">• See handout by professor	CASE: eBricks.com (HBS)

3/30	Growth Preparation <ul style="list-style-type: none">• See handout by professor	CASE: ScreamingMedia (HBS)

4/04	Growth Preparation <ul style="list-style-type: none">• What options does the company have for growth?• What are the financial implications of each?• What are the implications for strategic investments in core competence?	CASE: Krispy Kreme Doughnuts (BB)

4/06	Growth Preparation <ul style="list-style-type: none">• Diagnose the problem and recommend solutions.	CASE: Coolburst (BB)

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----- 4/11	Reflections on life cycle situations Presentations in class	
----- 4/13	Corporate entrepreneurship Preparation <ul style="list-style-type: none">• What are the underlying causes of failure in this case? If you were to start this project over as its head, what would you do differently?	CASE: HP: Flight of the Kittyhawk (HBS)
----- 4/18	Review period & wrapup	
----- 4/20	Presentations of Strategy Projects	
----- 4/25	Presentations of Strategy Projects	
----- 4/27	Presentations of Strategy Projects	