

BUS 272 - Strategy in Entrepreneurial Firms - Spring, 2006

PROFESSOR: Dr. Page West 758-4260 Office hours:
313 Kirby Hall westgp@wfu.edu M/W 4:00 – 5:00 & by appointment

CLASS MEETINGS: Monday & Wednesday 1:00 – 2:15 pm, Kirby Hall room 10

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 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.

In this course we will cover the core integrative content required in any strategy course. In addition, we will explore unique strategic management issues for startup and growth-oriented new ventures, such as: the development of initial resources; the generation of competitive position to begin with; how to enter different kinds of industry environments; life cycle issues faced by growing ventures; and the financial challenges associated with growth.

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 thinking about how/when to blend these tools and with functional skills developed in other coursework.
4. To further develop your analytical skills and learn to communicate your analyses, in oral and written form.

REQUIRED READINGS

Hitt, Ireland, & Hoskisson. *Strategic Management: Competitiveness & Globalization*. ISBN 0324535775. This is a custom textbook produced for this course, available in the bookstore.

Harvard cases & readings. Packet available at bookstore.

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

<https://blackboard.wfu.edu/>

CLASS CULTURE

Class conduct.

- Cellphones, PDAs, and laptop computers must remain off and put away during class.
- Absences from this class are not permitted without advance approval; unapproved absences will result in reductions on the final semester grade.

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 and rational exposition, 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, 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. If all you do in assignments is list what companies have done, your grade will suffer. You will earn higher grades to the extent that you increasingly address the following questions:

- why do their actions create advantage
- what are the implications of the analyses you have performed
- 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

Broad generalizations are insufficient in this course. Good work in this course integrates the specifics of analysis with conceptual ideas, and moves to recommendations and estimated results. Grading will be rigorous on these dimensions.

Guidelines for Written Work. Effective writing forms an integral part of the evaluation criteria. All written assignments turned in must be word-processed. Succinct, high-impact work is valued. *Submissions are not accepted late.*

Save trees! All work must have **1-inch margins** on all sides, in **11-point font** size, and be **single-spaced**.

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

Project	Individual / Group	% Weight
Class contribution	Individual	25
Short class presentation	Team	10
Midterm examination	Individual	20
Strategy project*	Team	25
Final examination	Individual	20
* 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.

For case preparation, I suggest the following steps:

- Form study teams to get together regularly to discuss the cases in advance.
- Quick read the case in advance several days before the class. This way you will become familiar with the issues and will have a chance to reflect on them a bit.
- After you have thoroughly read the case, discuss it with members of your study team.
- Outline in bullet-point fashion the *key issues* raised by the case (no more than 4-5 issues).
- As appropriate, conduct a quantitative analysis of the situation depicted in the case.
- Offer a specific decision and/or action plan, and be prepared to discuss why the decisions and/or actions should make improvements.
- Consider what unstated assumptions you are using in your analysis.
- Consider the circumstances under which your "solution" might not work as well or at all.

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.

Short Class Presentation "Reflections". Teams of students will each make one short presentation to the class on a topic of your own choosing. Each presentation should last 20-25 minutes, and should be informal. The idea here is to identify an interesting situation in the news and to discuss it in the context of strategic management tools and frameworks that we have been reading about.

At least one week in advance each team must turn in to me a one-paragraph summary of the topic that the team will be presenting. Presenters must

- deal with an entrepreneurial company or situation,
- minimize pure recitation of facts and history,
- apply a strategic management framework or concept we have discussed
- emphasize interesting questions & issues faced by the company
- suggest your own answers to the questions you raise, and your rationale.

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. These characteristics will form the basis for the presentation grade.

Exams. There will be an examination 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 a final exam after the end of the term.

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. 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) 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.
- c) Other projects of your own choosing, subject to approval by the professor.

Important Dates for this project:

- January 18 each team must be formed. Submit names, email addresses & phone numbers of team members.
- January 30 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.
- April 19 – final paper due at the beginning of class.

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 may not exceed 10 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 your conclusions about 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. Also, do not just limit yourself to on-line information. In fact, the essence of entrepreneurship is digging up information that is hard to find, which is in part what insulates the new venture from imitation. 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 Mary Scanlon at the Reynolds Library business reference department. She is an expert in locating material related to business and economics. 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.

TEAMWORK AND PEER EVALUATION. The Strategy Project requires effective teamwork among members of teams. This component of the course is worth up to 10% of the semester grade. 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 will 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	
1/11	Course overview Sign up for class discussion topics Go to Blackboard website site, register, and download relevant materials as they are posted. http://blackboard.wfu.edu/	West: Origins of strategy (BB) Text, chapter 1: pp. 1-29

1/18	Industry & competitive analysis 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 very successful companies from less successful competitors in this industry?	Text, chapter 2: pp. 35-65 Begin reading Coke vs. Pepsi case (HBS)

1/23	Industry & competitive analysis 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.• What is the effect of each of the five forces on the competitive rivalry? What <u>driving forces</u> are there in this industry which affect competition? Identify the <u>key success factors</u> in this industry - those factors which every firm must pay attention to in order to prosper.	CASE: Coke versus Pepsi in the 1990s (HBS)

1/25	Industry & competitive analysis Preparation <ul style="list-style-type: none">• Why was Phillip Morris unsuccessful in their 7-Up acquisition?• Why was Snapple, on the other hand, successful?• What can we conclude about new entrants in concentrated industries?	CASE: Snapple (BB)

1/30	Industry & competitive analysis 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?	CASE: DAG Group (HBS)

2/01	Value chain analysis 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?	CASE: Passion For Learning (HBS)

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<u>Date</u>	<u>Topic & Preparation</u>	<u>Readings</u>
2/06	Value chain analysis 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?	Text, chapter 3: pp. 69-78, 88-94

2/08	Reflections on industry analysis Presentations in class	Text, chapter 4: pp. 99-129

2/13	Generic strategy 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.	CASE: Celestial Seasonings (BB)

2/15	Generic strategy 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 deal with Schwab and eBroker ? What are the tradeoffs for the approach you recommend? Why?	CASE: E*Trade Securities (HBS)

2/20	Resources and competences 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.	Resource-Based Competitive Advantage (BB) Text, chapter 3: pp. 78-87

2/22	Reflections on value chain & generic strategy Presentations in class	What is Strategy? (HBS)

2/27	Mission, Goals, Vision	Perspectives on Strategy: The Real Story Behind Honda's Success (BB)

3/01	Midterm examination	

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<u>Date</u>	<u>Topic & Preparation</u>	<u>Readings</u>
3/13	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?	Text, chapter 5: pp 133-160
3/15	Performance measurement Preparation <ul style="list-style-type: none">• See handout by professor	Linking the Balanced Scorecard to Strategy (HBS) CASE: Chadwick's (HBS)
3/20	Startup Issues Preparation <ul style="list-style-type: none">• The case concludes with a list of needs identified. What critical resources are needed in order to solve these problems? Be prepared to discuss how you would address these needs.• Sketch out alternative plans for growth and expansion, beyond what is suggested in the case. What are the implications of your alternatives for additional resources and for additional financing?	CASE: Staples (A) (HBS)
3/22	Early growth issues Preparation <ul style="list-style-type: none">• What conclusions do you draw about the market opportunity, the people involved, and the strategic approach to this business?• What do the financial statements reveal about the performance of the company?• How much money do they need, and how should it be used?• Who should finance The Knot?• How would you value The Knot?	CASE: The Knot (BB)
3/27	Growth Preparation <ul style="list-style-type: none">• The company has serious growth aspirations, but also has serious financial considerations involved in funding growth and taking advantage of current market opportunity.• Construct a model for NetFlix that can be used to forecast the expected revenue and cash flows for a new subscriber over the next five years. What is the economic value of a new NetFlix subscriber? Based on your analysis, should NetFlix be acquiring new subscribers?• What changes, if any, would you suggest be made to its existing business model? What are the implications of these changes?• Assuming NetFlix does not change its current business model, what is the value of NetFlix.com as a company?	CASE: NetFlix.com
3/29	Reflections on strategy & growth Presentations in class	Text, chapter 6: pp. 165-191

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<u>Date</u>	<u>Topic & Preparation</u>	<u>Readings</u>
4/03	Expansion Preparation Software startup Spotfire must address the questions of dividing its effort between Sweden and the U.S., raising venture capital, obtaining new customers, and managing early stage growth.	CASE: Spotfire (HBS)
	<ul style="list-style-type: none">• What is the nature of the opportunity for Spotfire? What direction should the company pursue over the next 3-5 years?• What should they do about the dual-country operations and strategic approach? What are the pros and cons here?• Spotfire expects to raise additional capital in December 1998. How much is needed? What is the valuation of the company?• What are the terms of a financial deal that Spotfire should seek?	

4/05	Post-IPO strategy Preparation	CASE: Krispy Kreme Doughnuts (BB)
	<ul style="list-style-type: none">• Evaluate their strategy for growth. Is their strategic plan a simple franchise outlet expansion play, or is there something more involved?• Evaluate the cash flow implications of their espoused strategy for growth. This will require you to project out the costs of growth for several years into the future.• Based on your evaluation of the strategy and the financial plan, is the stock fairly valued at its intended offering price?	

4/10	Reflections on strategy & expansion Presentations in class	Text, chapter 7: pp. 197-222

4/12	Corporate entrepreneurship Preparation	CASE: HP: Flight of the Kittyhawk (HBS)
	<ul style="list-style-type: none">• What are the obvious reasons for failure? Dig deeper. What are the underlying, root causes?• Develop an action plan to avoid future failures of this sort.	

4/17	Wrapup: review, questions Preparation	
	<ul style="list-style-type: none">• Come prepared to ask about anything we have covered this term that you do not understand or want more information on.	

4/19	Presentations of Strategy Projects. Term papers due at the beginning of class.	

4/24	Presentations of Strategy Projects	

4/26	Presentations of Strategy Projects	