

## BUS 272 - Strategy in Entrepreneurial Firms - Spring, 2007

**PROFESSOR:** Dr. Page West                      758-4260                      Office hours:  
313 Kirby Hall                      [westgp@wfu.edu](mailto:westgp@wfu.edu)                      M/W 11:00 – 12:00 & by appointment

**CLASS MEETINGS:** Monday & Wednesday 2:30 – 3:45 pm, Kirby Hall room B-01A

### **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. It 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. Strategy 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.

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; entering 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**

Bamford & West. *Strategic Management: Sustainable Competitive Advantage*. This is a custom textbook produced for this course, available only 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/>

### **COURSE CULTURE**

**Emphasis on Cases.** This course will be taught in case analysis format. As listed in the detailed class schedule portion of this syllabus, most of our class sessions revolve around a detailed case provided in your case readings packet. The Socratic Method will be used to determine your understanding of the relevant theoretical and practical issues in each case.

**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

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.

Class conduct.

- Cellphones, PDAs, iPods, and laptop computers must remain off and put away during class.
- Attendance is mandatory.

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

**ASSIGNMENT DESCRIPTION**

<b>Project</b>	<b>Individual / Group</b>	<b>% Weight</b>
Class contribution	Individual	25
Short class presentation	Group	10
Midterm examination	Individual	20
Strategy project*	Group	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. You should seek to take the floor during a class discussion and explore an issue's causes, consequences, and strategic ramifications in depth. You should also seek to listen to other points of view and engage in discussion, clarification and debate. 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.

- See Addendum A to this syllabus on "Case and Class Discussions."
- See Addendum B to this syllabus for representative Case Review Questions for assigned cases.

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". Groups of 2 students will each make one short presentation to the class on a topic of their own choosing. The idea here is to identify an interesting and relevant situation in the news and to discuss it in the context of strategic management tools and frameworks that we have been learning about.

At least two weeks in advance each team must turn in to me an article in the new about 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.

Each group will need to go beyond the information in the article it has identified, in order to further research the company and/or the situation. The emphasis for the presenters should be roughly 1/3 on the company/situation, 1/3 on your analysis, 1/3 on implications or questions raised by your analysis.

Each presentation should last 20-25 minutes. The analysis and content of the presentation should be professional, however the presentation itself should be informal. No suits, just share good ideas. Before the class the team must email to me a 2-page Word summary of its report (see writing guidelines above) and a copy of its Powerpoint slide show.

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 4 students will form to conduct a strategy analysis of an entrepreneurial company. This is the major term project for the course.

The scope of this project is to identify a company that is in the process of going public (through an IPO), and to conduct a comprehensive strategic audit of the company. This will involve industry and competitive analysis, as well as internal analysis of the company's strategy, resources and competences that confer sustainable advantage upon it. Each project should utilize the tools and analytical frameworks explored in this course.

In order to identify a company of interest, students should consult Hoover's IPO Central, ipohome.com, the Securities and Exchange Commission website, and/or should seek helpful guidance from Mary Scanlon (business reference librarian) in the ZSR Library.

Important Dates for this project:

- January 22 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 allocate research responsibilities among the team members.
- April 30 – 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 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 develop growth plans for the company, and detail the financial ramifications of its strategic recommendations and plans - 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 45 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. *All members of the group must participate in the oral presentation.*

In this report do not spend time and space merely listing facts and data, or in reporting what companies are doing. The emphasis is on analysis of facts and data you have collected, and on your conclusions about their import for the industry competitors in general and the company in particular. Careful attention should be devoted to the competitive environment for the firm, including expectations about existing and new competition that will challenge the company once it has completed its public offering. 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 strategic options, 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 limit yourself to on-line articles and 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. 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.

Please feel free to consult with your professor on questions and issues that come up as you proceed with this project. I am happy to help.

**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.

Class Schedule, Readings, and Assignment Due Dates

<u>Date</u>	<u>Topic</u>	<u>Reading</u>	<u>Assignment</u>
01-17 Wedn.	Introductions & course overview	Text pp. 1-18, 19-23	Form small groups & select short talk dates
01-22 Mon.	Industry and competitive analysis Introduction	Text pp. 25-56	Submit team names for semester project
01-24 Wedn.	Industry and competitive analysis Structure and performance	CASE: Cola wars continue: Coke versus Pepsi	
01-29 Mon.	Industry and competitive analysis New entrants	CASE: Snapple and 7-Up	
01-31 Wedn.	Industry and competitive analysis Fragmented industries	CASE: DAG Group	Project memo due
02-05 Mon.	Industry dynamics	tbd	
02-07 Wedn.	Reflections by 2 groups	tbd	
02-12 Mon.	Value chain analysis	CASE: Passion for Learning	
02-14 Wedn.	Value chain analysis	Text pp. 57-74	
02-19 Mon.	Generic strategies Differentiation	CASE: Celestial Seasonings	
02-21 Wedn.	Generic strategies Cost leadership	CASE: e*Trade Securities	
02-26 Mon.	Resources & sustainable advantage	Text pp. 75-94	
02-28 Wedn.	Reflections by 2 groups	Article: What is strategy?	
03-05 Mon.	Comprehensive strategy case	CASE: TiVo 2003	
03-07 Wedn.	Midterm examination		
03-19 Mon.	Strategic performance Financial signatures	tbd	
03-21 Wedn.	Strategic performance Balanced scorecard	Article: Linking the balanced scorecard CASE: tbd	

03-26 Mon.	Startup issues	CASE: Staples (A)	
03-28 Wedn.	Guest speaker: James W. Judson, chairman, Recordant	tbd	
04-02 Mon.	Vision and mission	Text pp. 95-112 Article: Perspectives on strategy: real story behind Honda	
04-04 Wedn.	Early growth issues	CASE: The Knot	
04-09 Mon.	Growth finance issues	CASE: NetFlix	
04-11 Wedn.	Reflections by 2 groups	tbd	
04-16 Mon.	Growth structure issues	CASE: Screaming Media	
04-18 Wedn.	Strategy & IPOs	CASE: Krispy Kreme IPO prospectus	
04-23 Mon.	Corporate entrepreneurship	CASE: Flight of the Kittyhawk	
04-25 Wedn.	Final team presentations		
04-30 Mon.	Final team presentations		Project due
05-02 Wedn.	Final team presentations		

## Addendum A

### Case and Class Discussions

Strategic Management is a course of study related to a core foundation of knowledge. But more importantly, unlike many courses you have taken in your college career, Strategic Management takes you beyond study into practice. The success of this course, and ultimately the quality of your experience here, is completely dependent upon your total involvement in the conduct of the class. You don't like to be lectured at, and I don't like to lecture. You are producers of your own knowledge in this course.

A critical component of the course is the in-depth analysis and discussion of detailed cases. These cases will likely be more comprehensive than any you have encountered thus far. Their comprehensiveness and complexity better represent the reality of the business environment (although they still often provide tabulated data as a courtesy to you). You will be expected to enter class thoroughly prepared to discuss each case and to provide not only your opinions but detailed evidence to support your ideas and recommendations.

The Socratic Method will be utilized in this course. That means I will question, poke, prod, and push you to think critically about the issues contained in each case. It does not mean that I will provide you with the analysis. I will expect every student to enter class discussions fully prepared to contribute, and therefore I will not hesitate to call on students randomly and regularly.

Advanced preparation is a key to success in the class contribution portion of this course. With that in mind, I make the following suggestions for preparation of cases (and assigned articles for reading):

- Form study teams to meet regularly to discuss each case prior to class. These are detailed cases, and a study team will help you "share the load" as well as test out your ideas prior to class time.
- Quick read each 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.
- Prior to your study team meeting, analyze the case carefully on your own. Set out the facts in an organized fashion. Identify the key strategic issues. Carefully differentiate between symptoms and causes.
- Gather evidence you need to support your analysis. Remember that evidence includes not only the facts and data in your case and your relevant research, but also logical reasoning, analogous examples, and strategic management theory.
- There may be occasions to seek additional data, not in the case itself, for your analysis. You should not spend your time finding out "what happened" to a particular company after the date of the case.
- Examine financial statements and do financial analysis.
- Companies always face strategic decision points. Offer your own 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.

The following suggestions will help you in developing a superior contribution:

- Expect the class to do most of the talking, with me taking the role of listener and questioner.
- Back up your statements with evidence and logic. Expect me to probe for reasons and supporting analysis.
- Look beyond the printed story and make logical extensions as to future problems and opportunities.
- Expect and tolerate challenges to the views expressed, and be willing to submit your ideas for scrutiny and rebuttal.
- In the spirit of seeking the optimal solution, be willing to challenge other points of view with your own ideas. Fairly and thoroughly critique other class members' analyses and conclusions.
- Be willing to alter your analysis and solutions when the evidence strongly supports doing so.

## Addendum B Case Review Questions

The following study questions are provided in order to help you begin thinking through the issues relevant to each case or reading. These are by no means the full range of issues that we will discuss, but are only representative. In fact, one of the major challenges of strategic managers is to ask questions that have not yet been asked.

Carefully consider the strategic issues driving the decisions made, and the ramifications of those decisions. Consider carefully what you would do in the same situation and what your recommendations might be for the company moving forward. Remember, our concern is not what the company did later on, following the date of the case, but rather what you would have done at that time possessing only the information they had at that time.

### Cola Wars Continue: Coke Versus Pepsi in the 1990s

- 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 driving forces are there in this industry that affect competition? Identify the key success factors in this industry.

### Snapple and 7-Up

- 7-Up Company was purchased by Philip Morris in 1977, but under their management the business failed miserably and was subsequently sold at a loss. At the same time, entrepreneurial company Snapple succeeded immensely in the soft drink industry. Why?
- What are the key issues faced by startups seeking to enter industries with strong incumbent competition?

### DAG Group

- Why are returns so low in this industry?
- What is sustainable about DAG's intended strategy?
- Is Superb an attractive acquisition?
- What are the tradeoffs between the acquisition and startup routes? Should they just go ahead and open their own store? What would you do?

### Passion for Learning

- 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 its customers it expected to, and can it capture any of the value it does create?

### Celestial Seasonings

- Why was Celestial Seasonings able to beat Lipton?
- Describe carefully the nature of the strategic actions the company took, and their performance & financial ramifications.

### e\*Trade Securities

- 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 is the key strategic issue that e\*Trade faces?
- What are the strengths and weaknesses of e\*Trade?
- What forces will be driving competition in the industry?
- What option(s) present the best opportunity to deal with Schwab and eBroker? What are the tradeoffs for the approach you recommend? Why?

### TiVo 2003

- What are TiVo's competitive advantages?
- Where does TiVo fit into the home entertainment value chain? Who are its allies? Enemies? Why?

- What should be TiVo's strategy going forward? (Work through the numbers to determine profitability of different strategies).
- Will TiVo be able to sustain a position in the industry value chain?

#### Staples (A)

- 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?

#### Real Story Behind Honda

- Where do ideas for new businesses come from? Why don't others see the same opportunities and pursue them?
- Is strategic planning useful or helpful?
- What are the advantages and disadvantages of being a "first mover" in the marketplace?

#### TheKnot.com

- 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?
- How would you value The Knot, and who should finance the company?

#### NetFlix

- 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 would you suggest 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?

#### Screaming Media

- If overall revenues double next year, what would the revenue from mid-to-large enterprise companies need to be to achieve Davison's projections? What are the implied growth rates in each sector outlined by Davison?
- Assume you are CEO Kevin Clark. Based on your chosen strategy, how would you redesign the sales force? Be specific. How would you compensate sales representatives to achieve your desired goals?
- As Clark, would you proceed with an acquisition? Why or why not?
- Would you change the organizational structure of ScreamingMedia? If yes, which of the two options presented would you recommend? Why?
- What specific actions should Clark take in the next three months?

#### Krispy Kreme IPO

- 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?

#### Flight of the Kittyhawk

- What are the obvious reasons for failure? Dig deeper. What are the underlying, root causes?
- Compare the experience at HP with the experience at Motorola in developing the Razr phone. What is similar, what is different? Why did one work, but not the other?
- Develop an action plan to avoid future failures of this sort.