



# THE OHIO STATE UNIVERSITY

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## FISHER COLLEGE OF BUSINESS

### STRATEGIC MANAGEMENT BUSMHR 4490

Autumn Semester 2016

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**Lecture Section(s):** Online  
34618  
**Recitation Section(s):** 209 Schoenbaum Hall  
34619 Fri 10:45AM—12:05PM  
34620 Fri 9:10AM—10:30 AM  
34621 Fri 3:00PM—4:20PM

**Course Text:** ***Strategic Management 3e*** by Frank T. Rothaermel  
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ISBN #9781260040708

#### Case Studies:

Cola Wars Continue: Coke and Pepsi	711-462
Apple Inc.	MH0027
Amazon.com, Inc.	MH0031
Tesla Motors, Inc.	MH0032
Walt Disney Co.: The Entertainment King	701-035
eBay's Strategy in China: Alliance or Acquisition	HKU701
Bank of America and the New Financial Landscape	MH0007
Zappos.com (A) and (B)	INS259 and INS260
McDonald's Corporation	MH0037

*The required course text is available at the OSU Bookstores at a very special rate, and the case studies are available on the Harvard Business School publishing website at this link:*  
<http://cb.hbsp.harvard.edu/cbmp/access/50938691>

#### Course Prerequisites:

*BUSMHR 4490 is an introduction to the concepts and analytic tools in the field of strategic management to understand the competitive position of firms. Prerequisites include: BUSMHR 2290 and 2291, or BUSADM 499; and BUSMHR 3200 (701), BUSFIN 3220 (620), 3500 (510), BUSMGT 3230 (630), and BUSML 3250 (650); and Senior standing; and enrollment in Fisher College of Business. Not open to students with credit for BUSADM 799. Not open to students in UUSS, UEXP, or PREBSBA-PR.*

### Course Overview:

Strategic management is an integrative management field that combines the three macro learning objectives of the course—how to *analyze*, *formulate* and *implement* strategy in the quest for competitive advantage.

Strategy is the set of goal-directed actions a firm takes to gain and sustain superior performance relative to competitors. In any competitive situation, therefore, a good strategy enables a firm to achieve superior performance.

### Expected Learning Outcomes:

A good strategy consists of three elements. Students taking this class will master the learning outcomes inherent in these three elements. After taking this class, you will therefore be able to do the following:

1. Complete a *diagnosis* of the competitive challenge facing a firm. This element is accomplished through *analysis* of the firm's external and internal environments.
2. Develop a *guiding policy* to address the competitive challenge. This element is accomplished through strategy *formulation*, resulting in the firm's corporate, business, and functional strategies.
3. Construct a *set of coherent actions* to implement the firm's guiding policy. This element is accomplished through strategy *implementation*.

By understanding good strategy, and how to use the analysis, formulation and implementation (AFI) framework, we can learn how to develop a strategy/ structure relationship that helps the firm achieve and sustain competitive advantage.

"There is nothing so practical as good theory" Lewin (1951) wrote. Here we use the practical applications the literature of strategic management has developed through time, in both our large lecture and case-based recitation sections.

### Learning Objectives:

LO Part 1 Analysis: Analyze what strategy and strategic leadership are; being able to scan the internal and external environment. Understand how to manage from the "inside out" and "outside in" and also measure the firm's advantage.

LO Part 2 Formulation: Explain business strategy; (i.e., differentiation, cost leadership, and blue ocean), innovation and entrepreneurship; and corporate strategy (e.g., vertical integration and diversification, alliances and M&A), as well as global strategy.

LO Part 3 Implementation: Recognize the strategy/ structure relationship—including organizational design; structure, culture and control, and the overall relevance of sound corporate governance and business ethics practices.

Satisfying these objectives involves individual and experiential learning and demonstrating understanding the AFI strategy framework (e.g., by taking quizzes, conducting group case studies, doing a group presentation, and also completing an individual writing assignment).

### Course Workload:

The university and college expectation is that students spend two hours outside of class for every hour spent in class. For example, you should expect to spend approximately 6 hours per week outside of class on course-related work for the average course.

### Attendance Policy:

Any student who fails to attend without giving prior notification to the instructor will be dis-enrolled after the third instructional day of the term, the first Friday of the term, or the second scheduled class meeting of the course, whichever occurs first.

### Lecture and Recitation Grading:

This course has two main components: (1) an online lecture component where we cover the theories and background material of strategy; (2) a recitation component focused on case analysis, discussion, and the application of the ideas of strategy.

#### *Lecture Component (40% of your final grade):*

- Quizzes: There will be three exams/ quizzes based on lecture material. The quizzes are multiple-choice, (given during recitation for the online course).
- Your performance on the quizzes will determine 30% of your total grade. Each quiz is worth 10% each.
- Other: 10% of your grade will be based on online LearnSmart® assignments you will complete after reading the chapter and watching the lecture videos.

#### *Recitation Component (60% of your final grade):*

- Group cases: There are three group case study write-ups (use a memo format) each worth 10%, which total 30% of your grade.
- Group presentation: Each group will present one of the cases to the class. The presentation is worth 10%.
- Attendance/ participation, and individual writing assignment: This category constitutes 20% of your grade (the writing assignment is worth 10%).

### Grading Scale:

<b>A</b> = 93 – 100%	<b>C</b> = 73 – 76.9%
<b>A-</b> = 90 – 92.9%	<b>C-</b> = 70 – 72.9%
<b>B+</b> = 87 – 89.9%	<b>D+</b> = 67 – 69.9%
<b>B</b> = 83 – 86.9%	<b>D</b> = 60 – 66.9%
<b>B-</b> = 80 – 82.9%	<b>E</b> = below 60%
<b>C+</b> = 77 – 79.9%	

### Examination Policy:

Missed quizzes/ exams can only be made-up in extreme cases and with proper documentation. Each decision of potentially allowing a make-up is made by the instructor on a case-by-case basis. Additionally, you must contact the instructor as soon as you know of a potential problem or conflict with a quiz/ exam date. Alternative methods (e.g., oral exam, essay) of testing may be used for make-ups. If you are experiencing an extreme situation or emergency, please attempt to notify the instructor as soon as possible.

### Fairness in Grading:

We will do everything we can to grade fairly according to the quality of work produced in student assignments. If you carefully review your assignment and become convinced that a particular grade should be reviewed, you may submit a written justification for the reevaluation of the assignment with two copies of all supporting materials. Your appeal will not be successful unless you provide an extensive and well-crafted argument detailing the request. No re-grading will occur before the end of the semester (besides obvious administrative errors).

## Lecture and Recitation Calendar:

The following is a consolidated weekly guide for the course. It follows a Monday (lecture) Friday (recitation) format. Each Monday, go online, review the lecture material (e.g., videos, PPT slides) and complete your online LearnSmart® assignments (by midnight Thursday—i.e., 12:01AM Friday). The group case studies are practice case studies—unless noted as “written” cases.

<i>Topic(s) Covered</i>	<i>Week</i>	<i>Date(s)</i>	
<b>Part I: Analysis</b>			
<b>Introduction and Overview</b>	1	Fri	Aug 26
CH 1: What is Strategy and Why Is It Important?	2	Mon	Aug 29
How to Conduct a Case Analysis		Fri	Sept 2
Labor Day—No Classes, Offices Closed	3	Mon	Sept 5
Strategic Management Workshop/ Group Work		Fri	Sept 9
CH 3: External Analysis: Industry Structure, Competitive Forces	4	Mon	Sept 12
Practice Case: Cola Wars Continue: Coke and Pepsi		Fri	Sept 16
CH 4: Internal Analysis: Resources, Capabilities, Core Competencies	5	Mon	Sept 19
<b>Written Case Due: Apple Inc.</b>		<b>Fri</b>	<b>Sept 23</b>
<b>Quiz 1</b> (taken in recitation)			
<b>Part II: Formulation</b>			
CH 6: Business Strategy: Differentiation, Cost Leadership	6	Mon	Sept 26
Practice Case: Amazon.com, Inc.		Fri	Sept 30
CH 7: Business Strategy: Innovation and Entrepreneurship	7	Mon	Oct 3
Practice Case: Tesla, Inc.		Fri	Oct 7
CH 8: Corporate Strategy: Vertical Integration and Diversification	8	Mon	Oct 10
Autumn Break—No classes, Offices Open		Fri	Oct 14
CH 9: Corporate Strategy: Strategic Alliances and M&A	9	Mon	Oct 17
Practice Case: Walt Disney Co.: The Entertainment King		Fri	Oct 21
<b>Quiz 2</b> (taken in recitation)			
CH 10: Global Strategy: Competing Around the World	10	Mon	Oct 24
<b>Written Case Due: eBay’s Strategy in China</b>		<b>Fri</b>	<b>Oct 28</b>
<b>Part III: Implementation</b>			
Global Strategy (continued)	11	Mon	Oct 31
<b>Individual Writing Assignment Due</b>		<b>Fri</b>	<b>Nov 4</b>
Strategic Management Workshop/ Group Work			
CH 11: Organizational Design, Structure, Culture and Control	12	Mon	Nov 7
Practice Case: Zappos.Com		Fri	Nov 11
CH 12: Corporate Governance and Business Ethics	13	Mon	Nov 14
Practice Case: Bank of America		Fri	Nov 18
Corporate Governance (continued)	14	Mon	Nov 21
Columbus Day Observed—No Classes, Offices Closed		Fri	Nov 25
Review	15	Mon	Nov 28
<b>Written Case Due: McDonald’s Corporation</b>		<b>Fri</b>	<b>Dec 2</b>
<b>Quiz 3</b> (taken in recitation)			

Some coaching tips: The quizzes are cumulative in the sense that the lecture/ recitation material builds on itself, but the quiz questions will focus on the newer material we cover in lecture. Note additional material will be gone over in lecture too—from other chapters in the text and some outside material. You are responsible for this as well. The cases line up with the lecture material and the AFI framework, although case questions may have you look ahead in the text material and also refresh on earlier elements of the AFI Framework covered—this is dynamic by design.

**Case Study Questions:**

**Cola Wars Continue: Coke & Pepsi**

1. Why, historically, has the soft drink industry been so profitable?
2. Using the competitive forces model compare the attractiveness of the concentrate business to that of the bottling business.
3. How profitable is the concentrate industry segment versus the bottling segment? Which competitive forces best explain why profitability is so different between these two industry segments?
4. How has the competition between Coke and Pepsi affected the industry's profits?
5. How can Coke and Pepsi sustain their profits in the wake of flattening demand and the growing popularity of non-CSDs?
6. Analyze shareholder return and compare and contrast Pepsi and Coke with each other and broader market averages in terms of stock price and relevant historical and updated financial data. Who is winning the cola wars?

**Apple Inc.**

1. Conduct an internal and external environmental analysis for Apple using the SWOT matrix.
2. Next, conduct a SWOT analysis for one of the following (Samsung, Google, Xiaomi, Amazon, or Microsoft) and compare Apple with it, and how the technology changes and the convergence of markets have increased competition between technology firms.
3. Summarize Apple's product segments and suggest where it can pursue continued growth. Use data in and outside the case to assess Apple's profitability in these segments. Is it likely to continue? If yes, how so? If not, why not?
4. Pick one of Apple's product segments and use the VRIO decision tree to decide if the resources, capabilities, and/ or competencies that underpin it can help Apple achieve and sustain competitive advantage.
5. Dynamic capabilities (DCs) are essential to move beyond a short-lived advantage and create a sustained competitive advantage. For a firm to sustain advantage, any fit between its internal strengths and the external environment must be dynamic. Give an example of DCs Apple has used or can use to transform itself.
6. Identify the top challenges Tim Cook faces and how he should address them.

**Tesla Motors, Inc.**

1. Conduct a PESTEL analysis to identify the forces affecting car manufacturing of alternate energy vehicles.
2. Using VRIO analysis, evaluate whether Tesla has a sustained competitive advantage.
3. How has Tesla departed from existing auto industry practices? Use aspects of the strategy formulation area of the AFI framework here (e.g., any partnerships and alliances).
4. What short-term objectives are required in order for Tesla to survive?
5. What are the primary elements of Tesla's internal and external environment that need to be addressed for it to achieve a sustained competitive advantage?
6. Conduct a SWOT analysis to analyze internal and external conditions Tesla must consider going forward.

**Amazon.com, Inc.**

1. Assess Amazon's resources and capabilities using the VRIO framework. Can Amazon gain and sustain a competitive advantage? Why or why not?
2. Perform a SWOT analysis for Amazon.com. Pay particular attention to industry convergence. What are the strategic implications for Amazon?
3. Which business strategies and business models are being employed by the major competitors in this case? Which are most successful, and why?
4. Formulate a business strategy and business model that would allow Amazon to become and remain profitable.
5. What are the implications of your strategy formulation at the business level for Amazon's corporate strategy?
6. How should Jeff Bezos go about implementing any changes to the business and corporate strategy recommended earlier? What changes to structure and process need to take place?

**Walt Disney Co.: The Entertainment King**

1. Why has Disney been successful for so long? What did Michael Eisner do to rejuvenate Disney? Specifically, how did he increase net income? What are some major things Bob Iger has done more recently to increase net income?
2. Regarding corporate strategy—consider three dimensions of scope (vertical, geographic, product). Which expansion modes has Disney been pursuing?
3. How specifically does Disney pursue vertical integration? Give examples from the case. Apply transaction cost economics to understand Disney's vertical expansion decisions.
4. Is there any evidence of Disney destroying value via diversification?
5. Identify and explain the types of diversification/ integration within Disney's overall corporate strategy you determine to be successful. Use financial data from the case or outside sources.
6. Does it make sense for Disney to be expanding domestically or internationally at present?

**eBay's Strategy in China: Alliance or Acquisition**

1. eBay first entered the Chinese market in 2002 by acquiring a 33% stake in its local counterpart, EachNet, followed by a full acquisition a year later in 2003. Critically assess eBay's choice of market entry strategy for China, listing both the advantages and disadvantages of its acquisition strategy.
2. Assess the potential benefits and risks of eBay's joint venture with Tom Online.
3. eBay will have a 49% stake in the new joint venture while Tom Online will have 51% ownership. Critically assess both companies' decisions on their respective percentage of stake.
4. Identify and explain alternative ownership and governance structures that would help to mitigate the risks of the joint venture with Tom Online. What alternative expansion modes might mitigate these risks and why?
5. eBay's expansion modes in China included acquisition and joint venture. Critically evaluate each mode of diversification by identifying the advantages and disadvantages for eBay given the competitive environment within the overall industry and specifically in China.
6. Why did eBay lose out to Alibaba in China? What lessons can be learned for non-Chinese ecommerce companies as a result?

### **Bank of America and the New Financial Landscape**

1. Perform an internal (VRIO) analysis of BAC's resources, capabilities, and core competencies. Which competencies should be the basis of the bank's future strategy?
2. What should be BAC's corporate-level strategy moving forward? What should the newly integrated bank look like and do in terms of activities?
3. How did corporate governance policies (or lack thereof) contribute to the financial crisis of 2008?
4. Did BAC breach ethical standards by failing to disclose the extent of Merrill's losses and its agreement to pay year-end bonuses to Merrill executives?
5. Consider the effects of BAC's actions on stakeholders in light of the five questions listed in the stakeholder analysis framework.
6. Analyze the leadership changes at BAC after the financial crisis. Do you think they will be effective? Why or why not? Consider the strategy implementation framework.

### **Zappos.com**

1. In 1999, the footwear market in America was sized at US\$40 billion. Mail order shoe sales accounted for 5% of the market. At that time, the online footwear market was worth a mere US\$37 million. What does this imply? Discuss your interpretation of these facts.
2. What is the difference between Zappos and online and brick-and-mortar shoe stores? Based on your shoe-buying experience, what are the benefits and pain points of the brick-and-mortar shoe store? Is Zappos a typical online shoe store?
3. What elements of an organic organization are apparent from the case and chapter material? (Refer to chapter Exhibit 11.3, for example).
4. How did Zappos break the existing value-cost trade-off of the conventional online shoe store? Out of six paths to create blue oceans, which was (were) used to create Zappos' blue ocean?
5. How did Zappos create trust, commitment and voluntary cooperation deep in the organization?
6. How easy is it to imitate the Zappos' strategy given its culture and people practices?
7. What is holacracy, and how does the organizational structure differ from more traditional ones?
8. Why is Zappos experiencing significant implementation problems with holacracy? What else could Zappos do to implement the new structure more effectively? Do you think that holacracy is a good match with Zappos' business strategy? Why or why not? Explain.

### **McDonald's Corporation**

1. Which trends in McDonald's external environment are likely to have the greatest impact on the company's ability to sustain a competitive advantage?
2. How is McDonald's positioned vis-à-vis its major competitors?
3. Which business-level strategy does McDonald's employ? Is it effective? How so?
4. Which international strategy does McDonald's employ? Is it effective? How so?
5. How should Easterbrook adapt the organizational structure of McDonald's to achieve his strategic plan?
6. Among all the roles played by strategic leaders, which ones will be most important as Easterbrook implements his strategic plan?

### **Case Study Guidelines:**

The case write-ups should be at a minimum five pages of text, or about 1,800 words with 12-point font and 1.5-line spacing. Three additional exhibits are to be included, although would not be counted in the five pages. Use the memo format for your group write-ups. The three group written case studies are due in the dropbox on the due dates given. Bring a copy to class for discussion purposes (although you only need turn in a digital copy, one per group). The group presentations to class should be a minimum of 20 minutes (maximum 30) and allow a few minutes for discussion. On the day you present, have one of your group members put the presentation notes in the dropbox. You will be asked to assess the teamwork in your group at the end of the semester.

### **Individual Writing Assignment Guidelines:**

The performance of a firm is a function of its industry attractiveness as well as its competitive advantage with respect to other firms in the industry. Select a firm with good performance. Write a two-page, 1.5 spaced explanation for its superior performance. Please do not select any firm that has been discussed in class as a case study.

In your response, please (1) explain the relevant issues in the industry/ context (particularly your assessment of each force in Porter's five forces framework), (2) state your perspective on why the firm has performed well, (3) use evidence to support your arguments, and (4) conclude with further recommendations for top management. You may also include up to five exhibits containing any analysis to support your claims.

The deadline for the individual writing assignment is on or before the calendar due date (Nov 4), no exceptions. Please submit the individual writing assignment in the dropbox. The individual assignment is worth 10% of your final grade.

### **Case Study Q & A:**

Is it all right to use outside materials?

Of course. Although you are only charged with answering the case questions above, you may wish to use outside materials such as financial data and/ or material from your text or other useful sources.

Can I talk about the case with other students?

Sure. This is part of the preparation process. You need to meet with your group. You may not reach a consensus—that's OK. The goal is to discuss your ideas with the group and come up with possible solutions.

Is it OK to contact the company for more information?

You won't need to do this. If you wish to and/ or if you know someone working at one of the firms, take care to represent yourself in the most professional and ethical manner. Some companies may not be receptive to this, and others may. If you wish to try, please see your professor.

What should I include in the case write-ups?

See examples of previous case write-ups on the Carmen website. Follow the memo format and answer each of the questions to the best of your groups' ability. You will use elements from the case, the text, and consider the strategic roadmap and AFI framework.



### **Academic Integrity:**

Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. Thus, The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students have read and understand the University's *Code of Student Conduct*, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's *Code of Student Conduct* and this syllabus may constitute "Academic Misconduct."

The Ohio State University's *Code of Student Conduct* (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's *Code of Student Conduct* is never considered an "excuse" for academic misconduct, so I recommend that you review the *Code of Student Conduct* and, specifically, the sections dealing with academic misconduct.

**If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct.**

If COAM determines that you have violated the University's *Code of Student Conduct* (i.e., committed academic misconduct), the sanctions for the misconduct could include a failing grade in this course and suspension or dismissal from the University.

If you have any questions about the above policy or what constitutes academic misconduct in this course, please contact me.

Other sources of information on academic misconduct (integrity) to which you can refer include:

- The Committee on Academic Misconduct web pages ([COAM Home](#))
- *Ten Suggestions for Preserving Academic Integrity* ([Ten Suggestions](#))
- *Eight Cardinal Rules of Academic Integrity* ([www.northwestern.edu/uacc/8cards.htm](http://www.northwestern.edu/uacc/8cards.htm))

### **Disability Policy:**

The University strives to make all learning experiences as accessible as possible. If you anticipate or experience academic barriers based on your disability (including mental health, chronic or temporary medical conditions), please let me know immediately so that we can privately discuss options. You are also welcome to register with Student Life Disability Services to establish reasonable accommodations. After registration, make arrangements with me as soon as possible to discuss your accommodations so that they may be implemented in a timely fashion. **SLDS contact information:** [slds@osu.edu](mailto:slds@osu.edu); 614-292-3307; [slds.osu.edu](http://slds.osu.edu); 098 Baker Hall, 113 W. 12<sup>th</sup> Avenue.

## Strategy Analysis, Formulation, and Implementation (AFI) Framework

**Strategic management** is an integrative management field that combines analysis, formulation, and implementation in the quest for competitive advantage. **Strategy** is the set of goal-directed actions a firm takes to gain and sustain superior performance relative to competitors.

In strategic management, you often take the perspective of the CEO or person responsible for the strategy of the organization. You normally use an inductive approach to the analysis. The following is a helpful overview of strategy AFI—analysis, formulation and implementation areas covered in the course used in the practical application of theory.

### Analysis

Performed an **external environmental** analysis of the:

- Macrolevel environment (PESTEL)
- Industry environment (Porter's five forces)
- Competitive environment

Performed an **internal analysis** of the firm using RBV/ RBT:

- Identified resources, capabilities and competencies
  - Used VRIO analysis
- Identified value chain primary and support activities

Analyzed competitive advantage and firm performance:

- Used financial and market-based measures
- Comparison of firm to competitors, peers, industry average
- Assessment of achieving and sustaining competitive advantage

### Formulation

Provided analysis of firm's **business-level** and **corporate-level** strategies:

- Business strategy
  - Differentiation, cost leadership, integration
  - Innovation and strategic entrepreneurship
- Corporate strategy
  - Vertical integration and diversification
  - Potential acquisitions, alliances, networks
- International strategy
  - Competing around the world

### Implementation

Explain how to put strategy into action and align strategy/ structure relationship:

- Organizational design, structure, culture, control
  - Functional, multidivisional, matrix structure
  - Control and reward systems
  - Strategy/ structure relationship
- Corporate governance and business ethics
  - Agency theory
  - Shared value