

BSP3001 – Business Strategy



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“The mind is not a vessel to be filled, but a fire to be ignited.” - Plutarch

COURSE OBJECTIVES

1) Understanding of strategy fundamentals. The essential task of an executive is to formulate the firm’s strategy. In this course, we will learn the skills needed in analyzing a firm’s market and in maneuvering a firm in new and valuable directions. We will develop a mastery of a body of analytical tools to perform in-depth analyses of industries and competitors, predict competitive behavior, and analyze how firms develop and sustain competitive advantage over time.

Furthermore, these ideas are applicable at all levels in an organization, including planning our own career strategies. Specialists, such as financial analysts, investment bankers, and consultants, also use these same ideas and methods extensively to assess the strategies and profit potential of different firms.

2) Understanding of the landscape of business. Strategy is holistic. First, it is about the whole firm and deals with the organization, operations, finances, marketing, production, etc. Second, it is about the firm in its whole context and deals with the customers, suppliers, and competitors, and also with the economy, society, and natural environment at large and the technologies out there. For this reason, it is essential for us to develop a broad understanding of different industries, technologies, societies, and economies as well as to learn to take a broad perspective in general.

Ultimately, we hope to develop a “sense of history” where we’re able to see the trends that shape the landscape of business and make predictions about the future. This ultimate goal, however, takes a lifetime of learning and reflection, but this course will be either a starting point for a journey or a point of encouragement on a journey already under way.

3) Ability to analyze ambiguous settings and frame issues. Framing is the creation of structure where none exists. It is the step that precedes and enables problem solving by taking a complex, ambiguous setting and defining it and giving it meaning. This is an essential skill for two reasons. First, we will make all real-world business decisions with incomplete information. Thus, it is important for us to be able to define the situation and understand what we know and do not know. Second, framing allows us to develop a vision in the midst of instability and to lead our teams towards that vision.

4) Ability to form arguments and communicate them. Given the uncertainties in the real business world, the only thing we can rely on is our own, and others’, knowledge and

intellect. Hence, a major objective of this course is to help us improve the rigor, depth, and creativity of our thinking and our ability to form arguments. But that is still not sufficient. We must be able to communicate our thinking to others so that we can persuade, convince, encourage, and lead.

COURSE TEACHING METHOD

The best way to achieve the objectives laid out above is through inductive learning based on real-life examples. In inductive learning, each participant becomes responsible for his or her own learning, by drawing conclusions and generalizations from the material covered. Yet at the same time we work as a team, discussing the ideas and insights we have and challenging each others' thinking.

In practice, we will work through case studies of real-life business settings. This is particularly important in strategy, since the principles of strategy are not difficult in themselves - the difficulty lies in their application in real situations. The case discussions are also our main method for improving our thinking and communication skills. In addition, the case studies provide an ambiguous setting in which our task is to develop an understanding of what the issues are and to frame the situation. The case studies also give us an opportunity for an in-depth look at the industry in question. Hence, over the whole course, we will cover many industries and develop an understanding of the general landscape of business.

Case discussions will be complemented by written assignments, some of which will be done individually and some in groups. This will allow us to practice communicating our arguments in writing and working in teams. The teams will be randomly assigned at the beginning of the course.

COURSE ADMINISTRATION

Course requirements:

- Preparing for every class.
 - Reviewing the previous class and preparing to give a short summary.
 - Reading the assigned material.
 - Reading the case study.
- Attending and actively participating in every class.
- Submitting a case write-up individually.
- Submitting a group project and making a presentation to the class.

Your final grade will be determined as follows:

Class participation	30%
Case write-up	30%
Group projects	40%

Class participation consists of two components:

1) **Attendance in classes.** After the first week, each student may miss one session without any excuses. The class participation score will be reduced if more than one session is missed, without a valid reason. The penalties are: 2 missed classes leads to a deduction of 15 points, 3 missed classes to a deduction of 25 points, 4 missed classes to a deduction of 50 points, and 5 or more missed classes to a zero for participation. Being more than 10 minutes late counts as half a missed class and being more than 30 minutes late counts as a full missed class. Valid reasons include only a doctor's note or a note from the Dean's Office or the BBA Office **requiring** your presence elsewhere.

2) **Active participation in the case discussion.** You add value when you (i) listen to others, (ii) constructively critique others' arguments, (iii) ask questions or pose arguments that improve our understanding of the materials, (iv) describe and connect related personal experiences to the discussion, and (v) integrate material from other courses into the discussion. Participation is better than silence! **Note: The usage of laptops, smartphones, tablets, and other electronic devices imposes a negative externality on the entire class. Their use is thus not allowed during classes.**

The case write-up is a take-home case analysis done individually and it is due to be uploaded on IVLE by Fri 17 April at 12noon.

The questions in the write-up will be graded on the basis of logical consistency, conciseness, and the degree of understanding of the frameworks seen in class. For the most part, these questions have been written so that relatively short answers can be provided. The challenge is to apply the right framework(s) to answer the question — but insight and creativity will be helpful as well.

Please, note the following:

You may talk only with the professor about the questions, your thoughts about them, and your answers to them. You may talk with no one else - that is absolutely no one else - about these questions, your thoughts about them, and your answers to them. In particular this strictly forbids you to have anyone else edit your writing or grammar.

You may use any sources of information, but only the information supplied in the case can be used as a basis for arguments. Any argument supported by evidence from elsewhere will be ignored.

There is a page limit for the write up: five double-spaced pages (plus exhibits), 12-point font, 1-inch margins.

The questions are to be answered based on the case Haier's U.S. Refrigerator Strategy, found in your case package. Answer each question separately and clearly identify your answer to each question. Each question is worth 25 points.

- 1) Why did Haier succeed in the US market initially?
- 2) How did the Big Three (or Four) react to Haier's success? Was it the right response?
- 3) Why did Haier build a plant in South Carolina? Was it the right move?
- 4) What should Haier do now in the US refrigerator business?

There are two group projects each worth 20% of the final grade and consisting of two components: a paper and a presentation based on a case. The maximum length of the group paper is 4 pages (double-spaced, 12 font size and 1 inch margin on all sides) excluding references, tables and charts. The group papers will be submitted through IVLE and checked for plagiarism. Each presentation will take 10 minutes followed by 10-minute Q&A.

- 1) **Coffee Wars in India** (paper to be uploaded by 10pm on Wed 4 Mar on IVLE): How should Café Coffee Day respond to Starbucks?
- 2) **ICICI's Global Expansion** (paper to be uploaded by 10pm on Wed 8 Apr on IVLE): Assume ICICI wants to go global. Which geographies should it focus on and what should its strategy be in each?

COURSE MATERIALS

Textbook: Besanko, Dranove, Shanley, and Schaefer: *Economics of Strategy*, 6th Edition.

Additional Readings: Available on IVLE.

Cases: Available from the Strategy & Policy General Office, BIZ1 6th floor.

Week	Date	Topic	Readings	Cases
1	15-Jan	Introduction	Introduction & Economics Primer (pp. 1-38) Competitors and Competition (pp. 165-180)	Ingvar Kamprad & IKEA
2	22-Jan	Industry Structure	Economies of Scale & Learning (pp. 61-82) Entry and Exit (pp. 196-225)	Cola Wars Continue: 2010 Meli Marine
3	29-Jan	Industry Structure II	Industry Analysis (pp. 258-290)	GREE Narayana Hrudayalaya Heart Hospital
4	05-Feb	Competitive Advantage	Strategic Positioning for Competitive Advantage (pp. 293-332)	Wal-Mart Stores Ducati
5	12-Feb	Competitive Dynamics	Sustaining Competitive Advantage (pp. 363-398) Dynamics: Competing Across Time (pp. 226-257)	Samsung Electronics Tesla Motors
6	19-Feb	Chinese New Year	(no class)	
	26-Feb	Recess Week	(no class)	
7	05-Mar	Presentations	Information and Value Creation (pp. 333-362)	Coffee Wars in India
8	12-Mar	eLearning Week	(TBA)	
9	19-Mar	Corporate Strategy	Horizontal Boundaries of the Firm (pp. 83-97) Vertical Boundaries of the Firm (pp. 98-131)	Walt Disney
10	26-Mar	Corporate Strategy II	Integration and Its Alternatives (pp. 132-162) Power of Principles (pp. 41-61)	The IOI Group Alibaba Group
11	02-Apr	International Strategy	Principal-Agent Relationship (pp. 402-404) Strategy and Structure (pp. 437-469)	Philips & Matsushita Grupo Bimbo
12	09-Apr	Presentations	Globalization and Strategy (on IVLE)	ICICI's Global Expansion
13	16-Apr	Leading Strategy	Environment, Power, and Culture (pp. 470-500)	Henry Schein

CLASS 1: INTRODUCTION

Readings: Introduction & Economics Primer (pp. 1-38)
Competitors and Competition (pp. 165-180)

Case: Ingvar Kamprad and IKEA
1) What were the sources of IKEA's successful entry in 10 furniture retailing business in Sweden?
2) What was Ingvar Kamprad's role in IKEA's 10 development?

CLASS 2: INDUSTRY STRUCTURE

Readings: Economies of Scale & Learning (pp. 61-82)
Entry and Exit (pp. 196-225)

Case: Cola Wars Continue
1) Why is the soft drink concentrate industry so profitable?
2) Why is the soft drink bottling industry so much less profitable?

Case: Meli Marine
1) What are the most significant factors affecting the attractiveness of the container shipping industry?
2) What strategy does Meli Marine have for competing in this industry?
3) How has Meli Marine performed compared to its key competitors: Evergreen Marine, Wan Hai Lines, and Yang Ming Marine?
4) What recommendations would you make to David Tian?

CLASS 3: INDUSTRY STRUCTURE II

Readings: Industry Analysis (pp. 258-290)

Case: GREE
1) What are GREE's main sources of competitive advantage?
2) Will GREE be able to replicate its success from Japan in international markets, particularly the United States?
3) Is GREE's platform complementary to or competing with Apple's iOS and Google's Android smartphone platforms? Why exactly?
4) What should GREE's strategy be in international markets, especially the United States?

- Case: Narayana Hrudayalaya Heart Hospital
- 1) Would you describe this heart hospital as successful? Explain why.
 - 2) If successful, what were the elements that made it successful? If not yet successful, what else should NH be doing?
 - 3) Is the insurance scheme successful? Explain why. What are the challenges going forward?
 - 4) How would you advise Dr. Shetty regarding the three lines of business - the heart hospital, the Health City, and the insurance scheme for the poor? Which should he pursue? Which, if any, should he drop? Is there anything else he should be doing?

CLASS 4: COMPETITIVE ADVANTAGE

Readings: Strategic Positioning for Competitive Advantage (pp. 293-332)

- Case: Wal-Mart Stores
- 1) What are the key sources of Wal-Mart's advantage?

- Case: Ducati
- 1) What is the fundamental economic logic of Minoli's turnaround?
 - 2) Can Ducati sustain its position in the sport segment?
 - 3) What strategic alternatives are available to Minoli in 2001?

CLASS 5: COMPETITIVE DYNAMICS

Readings: Sustaining Competitive Advantage (pp. 363-398)
Dynamics: Competing Across Time (pp. 226-257)

- Case: Samsung Electronics
- 1) What recommendation would you make to Samsung regarding responding to Chinese entry?
 - 2) What are the sources of Samsung's cost advantage in DRAMs?
 - 3) What are the sources of Samsung's price premium in DRAMs?

- Case: Tesla Motors
- 1) Should BMW expect Tesla to grow into a strong direct competitor like Audi, versus Tesla being limited to a niche or being just a flash in the pan? Is Tesla at a competitive advantage or disadvantage? How will that evolve?
 - 2) What do you think of Tesla's entry strategy? What barriers did it have to overcome? Should Nissan learn something from Tesla's approach? Will other firms follow in Tesla's footsteps?

3) How do you expect the industry to evolve?

CLASS 6: CHINESE NEW YEAR (NO CLASS)

CLASS 7: GROUP PROJECT PRESENTATIONS

Readings: Information and Value Creation (pp. 333-362)

Case: Coffee Wars in India

CLASS 8: E-LEARNING WEEK (Details to be announced)

CLASS 9: CORPORATE STRATEGY

Readings: Horizontal Boundaries of the Firm (pp. 83-97)
Vertical Boundaries of the Firm (pp. 98-131)

Case: Walt Disney Company: The Entertainment King
1) Why has Disney been successful for so long?
2) Does Disney have a competitive advantage in hotels and toys? Why does Disney own and run hotels but outsource toy manufacturing?
3) What did Eisner do to rejuvenate Disney? Specifically, how did he increase net income in his first four years?
4) Has Disney diversified too far in recent years?

CLASS 10: CORPORATE STRATEGY II

Readings: Integration and Its alternatives (pp. 132-162)
Power of Principles (pp. 41-61)

Case: Alibaba Group
1) How does Alibaba Group create a corporate advantage? (Why are the businesses under one roof?) Is this corporate advantage sustainable?
2) Is the current degree of competition among the business units appropriate? Do you think that Jack Ma should encourage more cooperation? If so, how?

- Case: The IOI Group
- 1) How was IOI able to become a global palm oil player in such a short period of time? What are its competitive advantages?
 - 2) Analyze the industry IOI is active in. What do you consider the main opportunities and threats?
 - 3) What internal organizational capabilities does the IOI Group have? What are its weaknesses?
 - 4) In the next five years, which corporate changes should Dato' Lee initiate? Which aspects of the IOI Group should not be changed?

CLASS 11: INTERNATIONAL STRATEGY

- Readings: Principal-Agent Relationship (pp. 402-404)
Strategy and Structure (pp. 437-469)

- Case: Philips vs. Matsushita
- 1) How did Philips become the leading consumer electronics company in the world in the postwar era? What distinctive competence did they build? What distinctive incompetencies?
 - 2) How did Matsushita succeed in displacing Philips as No. 1? What were its distinctive competencies and incompetencies?
 - 3) What do you think of the change each company has made to date—the objectives, the implementation, the impact? Why is the change so hard for both of them?

- Case: Grupo Bimbo
- 1) How would you propose to address the challenges that Grupo Bimbo faces in Brazil?
 - 2) How would you propose to address the challenges that Grupo Bimbo faces in the United States?
 - 3) Should Grupo Bimbo be going to China? Why, or why not? If Grupo Bimbo continues its expansion in China, what (if anything) would you change about their strategy there?

CLASS 12: GROUP PROJECT PRESENTATIONS

- Readings: Globalization and Strategy (on IVLE)

- Case: ICICI's Global Expansion

CLASS 13: LEADING STRATEGY

Readings: Environment, Power, and Culture (pp. 470-500)

Case: Henry Schein

- 1) Henry Schein went from annual revenues of \$225 million in 1989 to more than \$9 billion, 800,000 customers, and nearly 16,000 employees around the world in 2013. What are the reasons behind its tremendous success so far?
- 2) Can other firms replicate the success of Henry Schein? What in your opinion prevents other companies from pursuing the “Team Schein” approach?
- 3) What are the biggest challenges to the sustainability of Henry Schein? What can Stan Bergman do to prepare the company for these challenges?