

# 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:**

<b>Class participation</b>	<b>30%</b>
<b>Case write-up</b>	<b>30%</b>
<b>Group projects</b>	<b>40%</b>

**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 for missing a class are limited to 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 Wed 6 April at 10pm.

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.

The questions are to be answered based on the case Ice-Fili, found in your case package. Answer each question separately and clearly identify your answer to each question.

- 1) How attractive is the Russian ice cream market? How is it likely to evolve?
- 2) What are potential sources of competitive advantage in the Russian ice cream market? What determines willingness-to-pay (differentiation) and what determines relative cost position?
- 3) What is Ice-Fili's competitive position? Does it have an advantage? How well-positioned is Ice-Fili relative to its key competitors?
- 4) What strategy would you recommend to Ice-Fili?

**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 2 Mar on IVLE): How should Café Coffee Day respond to Starbucks?
- 2) **Haier's U.S. Refrigerator Strategy** (paper to be uploaded by 10pm on Wed 13 Apr on IVLE): Formulate a strategy for Haier in the US refrigerator business.

## **COURSE MATERIALS**

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

Additional Readings: Available on IVLE.

Cases: Available on IVLE.

## **ACADEMIC HONESTY & PLAGIARISM**

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is 'the practice of taking someone else's work or ideas and passing them off as one's own' (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule - You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. In case of any doubts, you should consult your instructor.

Additional guidance is available at:

<http://www.nus.edu.sg/registrar/adminpolicy/acceptance.html#NUSCodeofStudentConduct>

Online Module on Plagiarism:

<http://emodule.nus.edu.sg/ac/>

<b>Week</b>	<b>Date</b>	<b>Topic</b>	<b>Readings</b>	<b>Cases</b>
1	15-Jan	Introduction to Strategy	Introduction & Economics Primer (pp. 1-38) Competitors and Competition (pp. 165-180)	Ingvar Kamprad & IKEA
2	22-Jan	Industry Analysis	Economies of Scale & Learning (pp. 61-82) Entry and Exit (pp. 196-225)	Cola Wars Continue: 2010 Meli Marine
3	29-Jan	Industry Analysis II	Industry Analysis (pp. 258-290)	Starbucks and Conservation Int'l HTC Corp in 2012
4	05-Feb	Business Strategy	Strategic Positioning for Competitive Advantage (pp. 293-332)	Wal-Mart Stores Husky Injection Molding Systems
5	12-Feb	Resources and Capabilities	Sustaining Competitive Advantage (pp. 363-398) Dynamics: Competing Across Time (pp. 226-257)	Samsung Electronics Mobileye: The Future of Driverless Cars
6	19-Feb	Competitive Dynamics	Information and Value Creation (pp. 333-362)	Ducati
	26-Feb	Recess Week	(no class)	
7	04-Mar	Group Presentations		Coffee Wars in India
8	11-Mar	Corporate Strategy	Horizontal Boundaries of the Firm (pp. 83-97) Vertical Boundaries of the Firm (pp. 98-131)	Walt Disney: The Entertainment King
9	18-Mar	Corporate Strategy II	Integration and Its Alternatives (pp. 132-162) Power of Principles (pp. 41-61)	Alibaba Group Creating Corporate Advantage: Tata
10	25-Mar	Strategy Implementation (Good Friday)	Principal-Agent Relationship (pp. 402-404) Strategy and Structure (pp. 437-469)	Philips & Matsushita P&G Japan: SK-II
11	01-Apr	Strategic Renewal and Change	Globalization and Strategy (on IVLE) Environment, Power, and Culture (pp. 470-500)	Charlotte Beers at Ogilvy & Mather Kodak and the Digital Revolution
12	08-Apr	CSR and Ethics		Life, Death, and Property Rights
13	15-Apr	Group Presentations		Haier's U.S. Refrigerator Strategy

## **CLASS 1: INTRODUCTION TO STRATEGY**

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 ANALYSIS**

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 ANALYSIS II**

Readings: Industry Analysis (pp. 258-290)

Case: Starbucks and Conservation International  
1) Should Starbucks collaborate with Conservation International?

Case: HTC Corp. in 2012  
1) Evaluate HTC's performance to date. What are its competitive assets and liabilities?  
2) Is HTC's competitive position sustainable? What are the main challenges HTC faces? How do they affect HTC's competitive position?  
3) Peter Chou and Cher Wang led HTC's transformation from a small player to a top-five producer of smartphones. What strategic actions would move HTC into the top three?

#### **CLASS 4: BUSINESS STRATEGY**

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: Husky Injection Molding Systems

- 1) What is Husky's strategy?
- 2) Why has it been so successful?
- 3) Are Husky's systems worth the premium price? (To calculate the value of a Husky system, figure out how much it would cost to make as many plastic products as a Husky system can make in a year, but with a competitor's system.)

#### **CLASS 5: RESOURCES AND CAPABILITIES**

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: Mobileye

- 1) What are Mobileye's competitive advantages? Competitive vulnerabilities?
- 2) How should Shashua and Aviram handle OEM demands for lower prices? Should they maintain a "full" price strategy or discount for the low-end bundle?
- 3) How should Shashua Aviram approach Google? Should they cooperate with Google or keep them at arm's length?

#### **CLASS 6: COMPETITIVE DYNAMICS**

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

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 7: GROUP PROJECT PRESENTATIONS**

Case: Coffee Wars in India

## **CLASS 8: 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 9: 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: Creating Corporate Advantage: Tata

- 1) Identify and describe the mechanisms by which the Tata group added value to its group companies.
- 2) What are the differences, if any, between the way the Tata group adds value and the way a multi-business conglomerate such as GE adds value? Should the Tata group make the subscription of its services by group companies mandatory?
- 3) Should the approach to the creation of a corporate advantage by a business group differ based on:
  - a. The level of related/ unrelated diversity of the mix of businesses in the group; and
  - b. The relative development of the institutional environment in the country? If yes, how?

## **CLASS 10: STRATEGY IMPLEMENTATION**

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: P&G Japan: SK-II

- 1) Does SK-II have the potential to become a global brand within Procter & Gamble's worldwide operations?
- 2) Which of the three market options should Paolo DeCesare recommend to the GLT?

## **CLASS 11: STRATEGIC RENEWAL AND CHANGE**

Readings: Globalization and Strategy (on IVLE)  
Environment, Power, and Culture (pp. 470-500)

Case: Charlotte Beers at Ogilvy & Mather

- 1) What is Beers trying to accomplish as CEO of Ogilvy & Mather Worldwide?
- 2) What is your assessment of the vision?
- 3) What is your assessment of the process Beers and her team went through to create the vision?
- 4) What are the key challenges facing Beers at the end of the case?

Case: Kodak and the Digital Revolution

- 1) Evaluate Kodak's strategy in traditional photography. Why has the firm been so successful?
- 2) Compare traditional photography to digital imaging. Will digital imaging replace traditional photography? How have value creation and appropriation changed in digital photography relative to traditional photography?
- 3) Evaluate Kodak's response to Sony's introduction of the Mavica in 1981. Was it appropriate?
- 4) How would you assess Fisher's attempt to transform Kodak? Why did it fail?
- 5) What is Kodak's current position in digital imaging? Evaluate Kodak's strategy from the mid-1980's onward.

## **CLASS 12: CORPORATE SOCIAL RESPONSIBILITY AND ETHICS**

Case: Life, Death, and Property Rights

- 1) What are the problems identified by this case?
- 2) How do we solve those problems?
  - a) Does ending copyright protection in developing countries help?
  - b) Does cutting prices in developing countries help?
- 3) What are the implications of pursuing the two strategies mentioned above?
  - a) What would be the reaction in the US?
- 4) What does “fairness” mean when it comes to pricing and developing pharmaceuticals?
- 5) What should a company like Merck do about the situation?

## **CLASS 13: GROUP PRESENTATIONS**