



QUINLAN
SCHOOL of BUSINESS

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MGMT 574, Section 001 (2512)
CORPORATE STRATEGY

Spring Quarter 2019, Tuesday 6 PM – 9 PM, Schreiber Center 406

Catalog Description

This course focuses on the strategic management of multi-business firms. Whereas Business Strategy (MGMT 573) focuses on how the firm competes within a particular industry or product market with the emphasis on strategic analyses and frameworks, **Corporate Strategy (MGMT 574)** focuses on how the firm manages its scope in terms of the configuration and coordination of activities across multiple businesses with the emphasis on strategic insights and perspectives.

Course Overview

MGMT 574 (Corporate Strategy) is concerned with the existence and boundary of multi-business firms. Corporate strategy decisions include vertical integration, horizontal diversification, and globalization; mergers and acquisitions, joint ventures, and strategic alliances; and the allocation of resources between the different businesses of the firm. More specifically, we examine the following topics in the course: *(1) Why do we have firms? (2) What determines firm boundaries? (3) Why do we have multi-business firms? (4) How do multi-business firms create corporate value? (5) How are multi-business firms managed? (6) What challenges do multi-business firms have?*

Required Materials

The required course packet includes reading materials and Harvard Business School (HBS) cases. Reading materials (journal articles and handout notes) are available from the Sakai course website or the University Library E-Journals at no charge. Students need to purchase the HBS cases online at the HBS website. Please see further instructions on Sakai.

Recommended Textbook (Optional)

Puranam, Phanish and Vanneste, Bart (2016) *Corporate Strategy: Tools for Analysis and Decision-Making*, Cambridge University Press (10th Edition ISBN: 978-1-107-54404-8).

Course Objectives and Learning Outcomes

In this course, you will learn concepts and frameworks that will be useful for analyzing and formulating corporate strategies. As you go through the course, you will also develop skills for identifying managerial issues, analyzing competitive environment, finding alternative ways to deal with those issues, and evaluating alternative plans of action. Finally, the course provides you an opportunity to apply strategy theories to actual business situations through diagnosis, analysis, and solution of business problems.

Corporate strategy is concerned primarily with the decisions over the scope of the firm's economic activities across the following dimensions:

- *Vertical (value chain) scope: What range of vertically linked activities should the firm encompass?* Walt Disney is a vertically integrated company as it produces its own movies and distributes them through its own TV networks. In contrast, Nike is more vertically specialized as it designs and markets footwear and apparel, but outsources most activities in its value chain, including manufacturing, distribution, and retailing.
- *Horizontal (product market) scope: How specialized should the firm be in terms of the range of products it supplies?* Coca-Cola (soft drinks) and SAP (software) are specialized companies as each is focused and engaged in a single industry sector. In contrast, Sony and General Electric are diversified companies as each spans multiple industries.
- *Global (geographical market) scope: What is the optimal geographical spread of activities for the firm?* In the café and restaurant business, Intelligentsia Coffee owns and runs 4 cafes in the Chicago area, Popeye's Chicken and Biscuits operates throughout the U.S., and McDonald's Corporation operates in 121 different countries worldwide.

The perspective we take is that of the general manager. They are responsible for setting the goals, objectives, and strategies of the multi-business firm. The course will cover both the content and process of strategic decisions by which general managers position individual businesses and allocate corporate resources across the businesses. Getting trained in top management skills will help you understand their objectives and make you a more effective contributor to the formulation and implementation of strategic plans in your organization.

Learning Techniques

To accomplish these objectives, we will use a variety of learning techniques: readings, lectures, written reports, presentations, and, most importantly, class discussion of case studies.

1. Case Analysis

Strategic thinking and analysis is best learned through practice. The cases we will study are about real world business situations. Each case is designed to provide you with data on real-life managerial problems, and case analysis is very useful as a simulation of actual managerial activity. The cases provide us with opportunities to both apply the concepts we discuss in class as well as further develop your ability to think about corporate strategy.

How much you get out of a case depends on your preparation and active participation. Each of you must be fully prepared for each class and effectively participate in each case discussion – comment, question, argue, and analyze. Class participation provides you with an opportunity to develop your communication skills.

Objectives of case analysis include:

- increasing your understanding of what managers should and should not do in guiding business to success in real world business situations,
- building your skills in conducting strategic analysis and gain in-depth experience in a variety of industries, competitive situations, and company circumstances,
- getting valuable practice in diagnosing strategic issues, evaluating strategic alternatives, and formulating workable plans of action, and
- enhancing your sense of business judgment.

2. Group Work

Discussing cases and preparing analyses in small groups outside of class helps you deepen your knowledge about strategy. Thus, group work will be essential for weekly case preparation as well as the major group project.

Developing effective group skills is a critical part of the learning process. It is a good idea to have students with different areas of expertise in the group, to facilitate the exchange of a variety of managerial viewpoints and help guard against "groupthink". Involving with people with distinct functional backgrounds will help avoid potential blind spots in your case analysis. To help bring about this internal balance within each group, I will divide the class into four groups with approximately four people in each group during the first session.

Course Grading Scale

Your final course grade will be established based on the following scale. No curve should be anticipated.

A	900 – 1000 points
B	800 – 899
C	700 – 799
D	600 – 699
F	Below 600

+ or – indicates that your score is borderline (+ or – 10 points).

Course Grading Criteria

Your final course grade will be determined by adding together the points you earn from each of the individual and group course requirements.

(1)	Class Participation	200 points
(2)	Case Study Questions	100 points
(3)	Comprehensive Case Report	100 points
(4)	In-class Exam	250 points
(5)	Strategy Practicum*	350 points* (adjusted for peer input)

		1000 points

1. Class Participation: 200 Points

Active participation in the class is an essential part of the learning experience, and the most important group interaction occurs during our case discussions. In this course, we all learn from each other. Thus, we are each responsible for making contributions to the class's effort to analyze a case and gain a critical perspective on the issues confronting the company in question.

(1) Class Attendance

Your attendance in every class is extremely important. Please schedule interviews, plant visits, and callbacks for days on which we don't have class. Please be on time, especially for the case discussion sessions. Attendance is taken at the beginning of class; if you miss the roll call, you have missed the class. You are expected to stay for the entire class. I do keep track of attendance and participation and figure it into the final grade.

Each person will be allowed one absence, "no questions asked"; beyond that absence, 20 points will be deducted from the participation grade if you are absent or not prepared for the class.

(2) Class Participation

You are required not only to attend classes, but also to carefully prepare for each class and contribute actively to class discussion. Class participation is graded for class discussion during the course. Meaningful participation means making a contribution to our discussion, not merely talking, and it does not mean repeating case facts or simply agreeing with what others have already said.

Please do not confuse attendance with participation. Note that attending without making meaningful contributions scores no participation points. Daily grades will be recorded on the following scale: 10, said something interesting; 20, said something that really turned the discussion. It is important that the instructor get to know who you are and keep track of your class participation; you will be asked to fill out a name card to help that process.

2. Case Study Questions: 100 (2 Cases x 50) Points

A list of case study questions has been prepared for the following HBS cases. Answering the study questions prior to class is a good way to assure that you have given the materials the requisite amount of thought. Outside research is not required:

Case #2: Zara (HBS 9-703-497)

Case #4: Nokia (HBS 9-714-428)

Your assignment is due before class begins on the day of the case discussion. There is no credit provided for late submissions. I expect each student to prepare up to 2-page written answers (full-sentenced, 12-font typed, and double-spaced). Please (1) refer to the main concepts and frameworks covered in the readings and lectures, (2) separate and number your answers, and (3) try to balance the length of your answers: 10 points for each answer (10 x 5 answers = 50 points).

3. Comprehensive Case Report: 100 Points

You are expected to turn in one individual case report for the assigned focal firm of the following HBS case based on the class schedule. Outside research for the case is not required:

Case #5: Cola Wars Continue: Coke and Pepsi in 2010 (HBS 9-711-462)

Group 1 or 2 members: Coke's Strategy

Group 3 or 4 members: Pepsi's Strategy

Your assignment is due before class begins on the day of the case discussion. There is no credit provided for late submissions. I expect each student to prepare a 4-page case report of the following four parts (full-sentenced, 12-font typed, and double-spaced) and unlimited appendix for figures and tables if necessary.

Evaluation Criteria

Your individual full case report should focus on:

- 1) identifying strategic issues in the case: Define the focal firm and the nature/scope of the problem in the first paragraph of your paper. Conclude the first paragraph with the question to be addressed. Explain why the question is important.
- 2) undertaking an analysis of those issues: Internal and external analyses remain focused on addressing the question raised. Indicate the factors that are important for answering your question and indicate the interrelationships between factors.
- 3) developing alternative strategies: Generate alternative strategies (not merely functional tactics) to solve the problem identified earlier. Use the results of internal and external analyses to evaluate each option (pros and cons) and develop your recommendations.
- 4) making problem-solving recommendations: Suggested strategy and action plans should follow logically from the analysis. Check whether your recommendations provide a good answer to the question in the first paragraph. Be sure to discuss implementation issues.

4. In-class Exam: 250 Points

The final exam will cover the entire lecture materials, and require you to demonstrate your mastery of the key concepts, theoretical frameworks, and analytical tools covered in this course. The exam is closed-book and closed-notes. The final exam will use a combination of multiple choices and short answers. Review and sample questions will be provided as the exam date approaches.

5. Strategy Practicum: 350 (200 + 100 + 50) Points

Week 9 of the course is devoted to applying what we have learned via a series of group presentations and class discussions of different project cases.

The objective of these practicums is to enhance your ability to:

- develop a clear and direct presentation for problem-solving,
- evaluate the adequacy of an argument, position, and plan,
- listen critically and pose worthwhile questions, and
- give and receive criticism in a socially acceptable manner.

For each case, one group will play the role of a consulting team hired to advise the focal company; another group will play the role of the firm’s top management team. The remainder of the class will play the role of various stakeholders.

Consulting Team Presentation	200 points
Consulting Team Report	100 points
Management Team Simulation	50 points
	350 points

In evaluating your presentation and report, the most important criteria concern the strength and logic of your argument. That is: *Does your analysis make sense? Do you marshal facts from the case to support your analysis? Do your recommendations follow from your analysis? Are you able to rule out certain options as being illogical, unrealistic, and/or counter-productive?* Fundamentally, you want to lead your reader through a chain of reasoning that drives them toward the same conclusions presented in your recommendations and specific action plans. Your final project will succeed if it accomplishes this task.

(1) Consulting Team Presentation (200 Points)

The consulting team will have primary responsibility for identifying key issues of the focal company, performing a strategic analysis of the case, providing problem-solving recommendations, and leading a discussion of the case in class.

Since the group project is expected to provide a detailed analysis of the company and its industry environment, active outside research is encouraged to support your arguments and recommendations. Gather all the relevant information in order to address key strategic issues found in the assigned HBS case. You are encouraged to use the various frameworks, concepts, and techniques discussed in the course or otherwise known to you. Emphasize your judgments and present relevant information, along with analyses, in support of these judgments. Avoid merely rehashing facts. After your presentation, the instructor will provide the updates of managerial decisions made by the focal company.

All group members of a group are expected to participate equally in the presentation. The oral presentation will be delivered within 30 minutes. A copy of all presentation slides and exhibits must be provided to the instructor two days before the presentation, and the hard copies of the presentation handouts for the top management team are due on the day of the presentation.

(2) Consulting Team Report (100 Points)

Each group will be responsible for preparing the consulting team report of the project case you gave a presentation in class. It will consist of (1) the executive summary and (2) the Q&A note from your presentation. Try to gather feedback and comments from the class and the instructor on your consulting presentation, and make them to your own in the consulting team report.

Format

There is a limit of 4 pages for the executive summary, with no limit on appendix. The purpose of the page limit is to encourage you to prioritize the material you wish to include in the final document such as the key issues and problem-solving recommendations. Push yourself to be selective, in order to generate a clear, concise, and rigorous paper.

Along with the 4-page executive summary report, you should attach a 2-page discussion note which provides a selected summary of important Q&As with the top management team, various stakeholders, and the instructor. A final version of the group case report is due by the final exam date for all groups.

Evaluation Criteria

Central issues identified and communicated, logical and coherent analysis of the industry and the company, effective use of facts to support arguments, development and evaluation of strategy options (and their pros and cons), and problem-solving recommendations and specific action plans follow from analysis.

(3) Top Management Team Discussion (50 Points)

After the consulting team presentation, the top management (client) team of the case company will have an opportunity to discuss the case with the consulting team within 10 minutes. Written group report is not required, and top management team simulation will be graded based on the quality of comments and questions asked.

Top management team should focus on ensuring the accuracy of the diagnosis, the quality of industry/company analysis, and the viability of recommended strategy and action plans. This task requires you to be totally familiar with the focal firm's situation.

(4) Stakeholders Q&A: Individual Participation

Following the top management team discussion, we will then open the floor to the remainder of the class (the stakeholders).

Each student of the class (except the consulting or top management team members of the case) is expected to turn in a one-page typed note of three or more questions from the viewpoint of specific stakeholder in order to actively participate in class discussion of the case.

Individual participation will be graded based on the quality of questions asked in class. A problem well stated is a problem half solved. The statistician John Tukey said: "Far better an approximate answer to the right question, which is often vague, than an exact answer to the wrong question, which can always be made precise." (John W. Tukey, 1962, *The Future of Data Analysis, Annals of Mathematical Statistics*, Vol. 33, No. 1, pp. 13-14.)

Please note:

Please read this syllabus thoroughly. It contains important information that will help you get the most out of your experience in this course. While I will do my best to help you, ultimately, you are responsible for knowing what is written here and for your performance in my course. The Sakai course website will play a crucial role in this course. You must check it regularly to get announcements and course materials.

This class may occasionally deviate from the course outline below. The instructor reserves the right to make changes as needed to the course syllabus.

MGMT 574 Weekly Course Outline

<u>Date</u>	<u>Topic & Assignment</u>
Week 1 26-Feb.	<p>Introduction to the Corporate Strategy course Basic Concepts of Corporate Strategy Fréry (2006) <i>The Fundamental Dimensions of Strategy</i></p> <p>Spring Break Readings: March 4 to 9 (Monday to Saturday) (MGMT 573) Peteraf (1993) <i>The Cornerstone of Competitive Advantage</i> (MGMT 573) Porter (2008) <i>The Five Competitive Forces that Shape Strategy</i></p>
Week 2 12-March	<p>Industry and Company Analyses and Corporate Advantage Collis & Montgomery (1998) <i>Creating Corporate Advantage</i> Zenger (2013a) <i>What is the Theory of Your Firm?</i></p>
Week 3 19-March	<p>Corporate Strategy and Organizational Economics Williamson (1996) <i>Economics and Organization: A Primer</i> Barney (1999) <i>How a Firm's Capabilities Affect Boundary Decisions</i> Capron & Mitchell (2010) <i>Finding the Right (Growth) Path</i></p>
Week 4 26-March	<p>Vertical Integration Strategy and Firm Boundaries Osegowitsch & Madhok (2003) <i>Vertical Integration is Dead, or Is It?</i> <i>Handout: Market Failure and Corporate Strategy</i></p> <p><u>Take-Home Quiz 1: Five Forces Analysis</u> <u>Case 1: Crocs (Stanford GS -57)</u></p> <ol style="list-style-type: none"> 1. How attractive (i.e., profitable) is the footwear industry in terms of five forces? 2. How does Crocs' corporate strategy differ from traditional shoe companies? 3. What are the sources (i.e., core competencies) of Crocs' competitive advantage? 4. How sustainable is Crocs' position and performance in the footwear industry? 5. How can Crocs exploit its core competencies for corporate advantage?
Week 5 02-April	<p>Group Presentation Plan (Progress Report) due at the beginning of class</p> <p>Diversification Strategy and Business Portfolio Franko (2004) <i>The Death of Diversification?</i> <i>Handout: Diversification Strategy and Corporate Value Creation</i></p> <p><u>Case 2: Zara (HBS 9-703-497): Individual Case Q&A Report #1</u></p> <ol style="list-style-type: none"> 1. What are Zara's unique choices which are connected to its core competencies? 2. How does Zara's strategy affect its operational/ financial performance? (Quantitative) 3. How sustainable is Zara's competitive advantage? Why Zara might fail? 4. How well does Zara's advantage travel globally? What are the limits/barriers? 5. What is the best corporate strategy to grow the Zara' value-chain profitably?

Week 6 09-April	<p>Mergers and Acquisitions (M&As) and Strategic Alliances Dyer, Kale & Singh (2004) <i>When to Ally and When to Acquire</i> Christensen et al. (2011) <i>The New M&A Playbook</i> (Optional) Martin (2016) <i>M&A: The One Thing You Need to Get Right</i></p> <p><u>Take-Home Quiz 2: Two Tests for M&As</u> <u>Case 3: Random House (HBS 9-704-438)</u></p> <ol style="list-style-type: none"> 1. How is economic value distributed among the industry value-chain players? 2. Does Random House have competitive advantage over other publishers? 3. What are the pros and cons of industry consolidation in book publishing? 4. What are the benefits to Random House from being part of Bertelsmann? 5. What are the main threats and your recommendations to Random House?
Week 7 16-April	<p>Global Strategy and the Multinational Corporation Ghemawat (2007) <i>Managing Differences: The Central Challenge of Global Strategy</i> (Optional) Musacchio & Werker (2016) <i>Mapping Frontier Economies</i> <i>Handout: Global Strategy and Multinational Corporation</i></p> <p><u>Case 4: Nokia (HBS 9-714-428): Individual Case Q&A Report #2</u></p> <ol style="list-style-type: none"> 1. Explain Nokia's corporate strategy in terms of vertical, horizontal & global scopes. 2. Assess Nokia's main strategic actions that created advantages & disadvantages. 3. What were the main external factors that caused Nokia's success & decline? 4. How did Nokia manage its ecosystem in the mobile phone business? 5. How could Nokia have better prepared itself for the smartphone era?
Week 8 23-April	<p>Stakeholders and Corporate Governance Zenger (2013b) <i>Strategy: The Uniqueness Challenge</i> Barton (2011) <i>Capitalism for the Long Term</i> <i>Handout: Stakeholders and Strategic Management</i> <i>Handout: Corporate Governance and Governance Mechanisms</i></p> <p><u>Case 5: Coke and Pepsi (HBS 9-711-462): Individual Case Report #3</u> <u>Comprehensive Case Report due at the beginning of class</u> Group 1 and 2: Coke's Strategy and Group 3 and 4: Pepsi's Strategy</p>
Week 9 30-April	<p>Strategy Practicum 1: Spotify (IES678) or Cowen (9-418-035) <u>Strategy Practicum 2: Verizon (9-318-114) or Vodafone (9-318-109)</u> <u>Strategy Practicum 3: Disney (IN1528) or Sandlands (9-718-438)</u> <u>Strategy Practicum 4: Huawei (9-518-071) or Sony (9-618-045)</u> * We will select four cases for the group project</p>
Week 10 07-May	<p>Final Exam Final Group Report due for all groups</p>

Quinlan School of Business Policies:

Attendance

Class attendance and participation are fundamental components of learning, so punctual attendance at all classes, for the full class meeting period, is expected of Quinlan students. Faculty may set participation policies unique to their courses and use class participation as a component of the final grade. The student is responsible for any assignments or requirements missed during an absence.

Because MGMT 574 uses in-class group exercises as well as individual participation, a student *cannot* earn an A for the course without contributing to the class as both an engaged individual student and an involved team member. **If you must miss a class or leave early, please notify me in advance.** You are responsible for any class assignments or requirements missed.

Make-Up Examinations

Loyola University academic policy provides that tests or examinations may be given during the semester or summer sessions as often as deemed advisable by the instructor. Because Quinlan faculty believes examinations represent a critical component of student learning, required examinations should be taken during the regularly scheduled class period.

Make-up examinations are discouraged. Exceptions may be granted only by the faculty member or department chair, and only for unavoidable circumstances (illness verified by a signed physician's note, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, or religious observance). A make-up final examination may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean.

If a make-up examination must be given, it is the responsibility of the faculty member to prepare, schedule, and proctor the exam. The only regular exception is for a student athlete, who may use the testing services of the Athletics Department to complete a make-up examination. For a student with a documented special testing need, please consult University policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

Academic Integrity

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood. Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of "F" for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website:

<http://luc.edu/media/lucedu/quinlan-graduate/pdfs/Honor-Code-Quinlan-July2012.pdf>

Special Request

This course depends on a high level of student engagement and participation. Thus, to minimize distractions to you, your fellow students, and me, please keep your cell phones off during class. Thank you!