

CORPORATE STRATEGY

Scope of the Course

The study of corporate strategy and policy can be separated into the two different but related streams of Strategic Analysis and Strategic Management.

Strategic Analysis is concerned with an analytical approach to the issues of the firm's individual survival and performance. There is, however, no unified grand theory of strategy. Strategic analysis survives as a collection of key concepts taken from economics, sociology and behavioural science and known as empirical regularities. Statements of the following type:

- successful firms are leaders in product innovation
- successful firms are the dominant competitor in their key product markets
- diversification into related products creates higher value than unrelated diversification
- strategic alliances are critical in global competition

can all be shown to have limited validity; they are true for some firms, in some industries, over some periods of time. Given that point of reference, we are interested in developing a range of perspectives on strategic decisions – an understanding of the conditions under which these may prove powerful organising frames for the firm. This is the perspective to be taken in Corporate Strategy.

The second stream – *Strategic Management* – gives greater emphasis to the articulation of the strategy and its implementation and integration with other dimensions of the firm. The focus shifts to such issues as:

- the way in which the structure of the organisation drives or impedes its strategy,
- the influence of key control systems (MIS, budgets, appraisal systems etc.) in supporting the firm's strategy and structure, and
- the ways in which senior managers lead the organisation under information asymmetry and uncertainty (e.g. the role of "strategic vision", contingent contracts, negotiation, corporate culture).

The separation of the strategy into these two streams is **not** based on the premise that strategy "formulation" comes first and "implementation" comes afterwards. Indeed, Robert Burgelman's definition of strategy as a "*theory about the reasons for past and current success of the firm*" is an elegant counterpoint to that view – since the theory can, and often does, emerge after the success rather than beforehand. Our focus on the analytical aspects of strategy is a pedagogical convenience – not a statement about the pre-eminence of the chicken or the egg.

Goals

If there is no unified theory of the grand strategy, what are realistic learning goals for a course in strategic analysis? We see two primary goals:

- mastery of a series of conceptual building blocks (a tool kit, if you like), each of which can be useful in some contexts, and
- practice in the exercise of judgement – selecting elements of the tool kit that are the most relevant/helpful in a particular situation, and combining them in a coherent fashion.

Assessment

Assessment will reflect these two goals. You will be assessed on your class participation and a written assignment. This assignment is described in detail below. The assignment is worth 70% of your mark and the class participation/case presentation is worth 30% of your mark.

In the written analysis, you should discuss a currently relevant issue for your firm or industry using any combination of the techniques discussed in the class. You can select any technique (or set of techniques) and issue for which you have some interest. For example, you could examine the evolution of industry structure using Porter's five forces analysis or you could do an internal cultural web of your company. Your report must be **double-spaced** with minimum **11-pitch fonts**. The written text should be a maximum of **eight pages**. You are permitted an additional **two pages for tables** and figures. This gives you a maximum of ten pages, up to eight of which can be text.

The focus of the paper should be on the **recommendations** for your business (or industry) as it relates to the specific issue you choose. You should not spend a lot of time on a description of the issue. As such, you should only briefly discuss the issue except where any description or analysis is relevant to your recommendations. The papers will be assessed on content, your ability to express ideas clearly and concisely, and your application of the techniques and ideas discussed in class.

Each individual is required to be part of a group that will need to prepare a 3-slide presentation (PowerPoint slides) for at least one case in the course. You will be assigned to specific groups to prepare these.

Readings

The major readings for this course are contained a series of readings and in the book:

Jeremy Davis and Timothy Devinney, *The Essence of Corporate Strategy: Theory for Modern Decision Making*, Allen & Unwin, 1997.

Readings are assigned to specific sections of the course, however, it is suggested that you spend your time reading the book from the beginning (e.g., chapter 1, 2, 3, ..., 10) rather than trying to read the chapters out of sequential order. Some additional readings are specified in the syllabus and are available as a packet.

Schedule

The course schedule, with readings and case assignments, is given below. The schedule is broken down into days; however, we will be flexible as to the coverage of material, so the schedule is not "written in stone". It is important that the case readings be done the day before the scheduled time so as to facilitate discussion.

DAY 1

➤ **What is this thing called strategy?**

Topics: What is strategy? Types of strategy—emergent, opportunistic, etc; Strategy quality and top team commitment; Problems with planning processes

Readings: Davis, J. and T. Devinney, *The Essence of Corporate Strategy*, Allen & Unwin, 1997, Chapters 1–3

Henderson, B. "The Origin of Strategy," *Harvard Business Review*, November 1989.

Handy, C. "What's a Business For?" *Harvard Business Review*, December 2002.

Case: *GE's Two-Decade Transformation: Jack Welch's Leadership (HBS 9-399-150)*

➤ What is Welch's objective in the series of initiatives that he initiated in the late 1980s? What is he trying to achieve? Is there a logic to this change process?

- How does a large diversified conglomerate like GE continue to defy the critics and remain profitable and grow? Have Welch's various initiatives added value? If so, how?
- What is your evaluation of Welch's approach to leading change? How important is he to GE's success?

➤ **A Language & Framework for Strategy Analysis**

Readings: Davis, J. and T. Devinney, *The Essence of Corporate Strategy*, Allen & Unwin, 1997, Chapter 4

Hambrick & Fredrickson "Are You Sure You Have a Strategy," *Academy of Management Executive*, 2001.

The Economist, "Who Gets Eaten and Who Gets to Eat," 12 July 2003, 61–63.

Case: *Egon Zehnder: Implementing Practice Groups (HBS 9–398–052)*

- Analyze the evolution of the strategy of EZI.
- What are the pros and cons of implementing practice groups into this egalitarian generalist firm?

DAY 2

➤ **Internal Analysis: Competencies and Assets**

Topics: Competencies & capabilities; Resource based thinking, Knowledge

Readings: Davis, J. and T. Devinney, *The Essence of Corporate Strategy*, Allen & Unwin, 1997, Chapters 5–7.

Case: *McKinsey & Co (HBS 9–369–357)*

- What, if any, was the unique source of competitive advantage developed by McKinsey and Bower?
- How have these competencies evolved over time? How success has the firm been in 'remaking' itself?

➤ **Internal Analysis Analysing processes that add value**

Topics: Value Chain and Value Constellations

Reading: Norman, R. and R. Ramirez, From Value Chain to Value Constellation: Designing Interactive Strategy, *Harvard Business Review*, July/August 1993.

Case: *GE Medical Systems (HBS 9–702–428)*

- What is the logic of the global product company structure?
- Should this logic be altered to deal with the reality of the Chinese medical market?
- Should GE Medical be pursuing genomics and health care IT in addition to, or instead of, the China opportunity?

DAY 3

➤ **External Analysis: Analysing Industry Structure**

Topics: Rules of engagement; Porter's five forces

Reading: Davis, J. and T. Devinney, *The Essence of Corporate Strategy*, Allen & Unwin, 1997, Chapter 10.

Case: *Global Wine Wars (HBS 9–303–056)*

- What are the “Rules of Engagement” in the wine industry? Are they changing? If so, how are they changing?
- Apply Porter’s five forces model to this industry.
- What forces (Political, Economic, Social and Technological) are pressuring this industry? What are the possible implications of these pressures?

➤ **External Analysis: Industry Interaction**

Topic: Rivalry

Readings: Davis, J. and T. Devinney, *The Essence of Corporate Strategy*, Allen & Unwin, 1997, Chapter 10.

Case: *Global Wine Wars (HBS 9–303–056)*

- Based on the above analysis how would you recommend different players act?

DAY 4

➤ **Corporate Level Strategy**

Topics: The business portfolio; Synergy & diversification

Readings: Davis, J. and T. Devinney, *The Essence of Corporate Strategy*, Allen & Unwin, 1997, Chapters 8–9.

McGurn, W., Prophet of Profit, *Far Eastern Economic Review*, 21 November 1996.

Case: *Charoen Pokphand: The New Conglomerate (HBS 9–596–033)*

- What is the logic behind the mix of businesses collected by Charoen Pokphand (CP)?
- Plot the CP businesses on the business mix matrix described in class? Does the pattern make any sense?
- Given Porter’s discussion of focussed-firms vs conglomerates, what are the prospects for CP give the recent upheavals in South East Asia?

➤ **Growth and Sustaining Advantage**

Topics: Flexibility & adaptability; Creating & sustaining a gap; The university

Reading: Davis, J. and T. Devinney, *The Essence of Corporate Strategy*, Allen & Unwin, 1997, Chapter 11.

Case: *Alcatel’s China Strategy (Live Case)*