

***MBA Core –BA 501 Strategic Management, Winter 2020***

***Professor Charles Hill***

***Office: Paccar 538***

***Cell: 206-819-5480***

***e-mail: [chill@uw.edu](mailto:chill@uw.edu)***

***Twitter: @charles\_chill***

***Office Hours Monday & Wednesday 12:00-1:00pm or by Appointment***

***Course Objectives***

This course reviews key concepts of strategic management. The focus is on the strategic factors that increase the probability of a firm's competitive success or failure. The core concepts discussed in this course are grounded in microeconomic theory. Specific topics addressed include strategic planning and leadership, industry analysis, competitive advantage, business level strategy, functional strategy, diversification, internal new ventures, mergers and acquisitions, and organization form. The goal is to enhance your ability to think strategically.

***Teaching Method***

The course has a high case content with supporting lectures and readings. Because of the importance of cases, it is very important that you come to class well prepared to discuss whichever case is scheduled for that day.

***Course Assessment and Grading***

Course grades will be based on an exam (40 points), two group reports (25 points each), and class contribution (10 points).

The first group report will require you to analyze an industry using the competitive forces model. The second will require you to analyze the strategic position of a firm within that industry. The first report will be due on Wednesday February 5<sup>th</sup>. The second will be due on Wednesday March 4<sup>th</sup>.

The final exam will test your knowledge of core strategy concepts. Questions that draw on concepts from cases we have discussed in class will appear prominently in the exam.

Class contribution and attendance are important. I teach cases using Socratic method. I expect you to be there and to be prepared. I will cold call relentlessly. If you are not in class you are neither contributing nor fully engaged in the learning process. Contribution will be assessed subjectively based on my assessment of the quality of your contribution to class. I will give everyone 5 points as baseline and then adjust up or down depending upon my judgement of your contribution.

The average grade in this class will be in the 3.4-3.5 range. The grade will be curved. Grades higher than 3.8 will be very rare.

### ***Religious Accommodation***

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at Faculty [Syllabus Guidelines and Resources](#). Accommodations must be requested within the first two weeks of this course using the Religious Accommodations Request form available at: <https://registrar.washington.edu/students/religious-accommodations-request/>

### ***Reading Materials***

Hill, C.W.L., Shilling, M.A. and Jones. G.R. **Strategic Management, Thirteenth** edition, Cengage 2020.

eBook version at:

<https://www.cengage.com/c/strategic-management-theory-an-integrated-approach-13e-hill>

Royalties from sale of this book to students in my classes are donated to charity.

### **Available on Canvas**

All of my own cases

## ***Class Schedule***

### ***Session 1 Wednesday January 8<sup>th</sup>, PM***

**Lecture: An Overview of Strategy**

Reading: Hill & Shilling. Chapter 1

### ***Session 2 Monday January 13<sup>th</sup>, PM***

**Cases: (1) Small Package Express Delivery Industry. (2) Airborne Express: The Underdog**

Assignment: Come to class prepared to discuss the following questions.

1. Despite rapid growth, the air express industry was characterized by low profitability during the 1980s. Why?
2. Why did performance of the industry improve in the 1990s and then again in the 2000s? What was the business level strategy of Airborne Express during the 1980s and 1990s? Did this strategy make sense given industry conditions?

3. If you were the CEO of Airborne in the early 2000s, what would your strategy have been?

### ***Session 3 Wednesday January 15<sup>th</sup>, PM***

**Lecture: Analyzing Industry Structure**

Reading: Hill & Shilling Chapter 2

### ***Session 4 Wednesday January 22<sup>rd</sup>, PM***

**Case: Google in 2015**

Assignment: Come to class prepared to discuss the following questions.

1. Why has the pay-per-click search business grown so rapidly?
2. Analyze the competitive structure of the market for search-based advertising. What are the implications of this structure for the long run profitability of players in the market?
3. Why was it entrepreneurial startups, as opposed to established enterprises, that pioneered the paid search market?
4. What explains Google's success in the paid search marketplace? How sustainable is its competitive advantage?
5. Does the pay-per-click business model pioneered by GoTo.com and Google constitute a paradigm shift? How? What are the implications for other enterprises?
6. What is Google trying to do strategically? How should competitors like Microsoft respond?

### ***Session 5 Monday January 27<sup>th</sup>, PM***

**Lecture: Analyzing Industry Structure Part II**

Reading: Hill & Shilling, Chapter 2.

### ***Session 6 Wednesday January 29<sup>th</sup>, PM***

**Case: Toyota**

Assignment: Come to class prepared to discuss the following questions.

1. Compare and contrast Toyota's manufacturing system with a conventional mass production system. What are the advantages of Toyota's system? What are the strategic implications?

2. Describe the difference between the way supplier relations have historically been managed at Toyota and at U.S. auto companies? What are the consequences of these differences? What are the strategic implications?
3. What drove the evolution of Toyota's production system?
4. Can Toyota replicate its production system in overseas operations?
5. What is the basis of Toyota's competitive advantage? Can it be imitated?

## ***Session 7 Monday February 3<sup>rd</sup>, PM***

### **Lecture: Competitive Advantage**

Reading: Hill & Shilling, Chapters 3 & 4.

## ***Session 8 Wednesday February 5<sup>th</sup>, PM***

### **Case: Microsoft, Part I: The Gates Years (pages 1-19)**

Assignment Come to class prepared to discuss the following questions.

1. What drove the early success of the IBM PC?
2. What part did Bill Gates and Microsoft play in the early success of the IBM PC?
3. What facilitated the emergence of the clone industry? How did this change the economics of the industry?
4. How did Microsoft translate its early success with MS-DOS into industry dominance by the mid 1990s?
5. How would you characterize the management style of Gates? How did this shape the culture and organization of the company?
6. Why was Microsoft so profitable during the Gates years?

## ***Session 9 Monday February 10<sup>th</sup>, PM***

### **Case: Coca Cola**

Assignment Come to class prepared to discuss the following questions.

1. The soft drink industry evolved with a franchised bottler system. For most of the industry's history the concentrate producers nurtured and preserved this system. Why?
2. During the 1980s the both Coke and Pepsi began to acquire bottlers. Why?
3. Why did Coca Cola dominate the soft drink industry by the end of the Second World War?
4. How was Pepsi able to come back from near bankruptcy and gain share at the expense of Coke from the 1950s through to 1975?
5. During the 1950s-1970s, being a concentrate producer yielded very high returns. Why was this the case?

6. How did the 1977 national launch of the Pepsi challenge change the nature of competition in the industry?
7. During the 1990s Coca Cola was gained market share back from Pepsi, and was significantly more profitable. Why?
8. What are the threats facing Coke and Pepsi in the 21<sup>st</sup> century? How are they dealing with these?

## ***Session 10, Wednesday February 12<sup>th</sup>, PM***

### **Lecture: Business Level Strategy**

Reading: Hill & Shilling Chapters 5 & 6

## ***Session 11, Wednesday February 19<sup>th</sup>, PM***

### **Case: The Home Video Game Industry**

Assignment Come to class prepared to discuss the following questions.

1. Why was Atari so successful? What was the root cause of the Atari-era bust?
2. How did Nintendo successfully recreate the home video game business following the Atari-era boom and bust?
3. How was Nintendo able to capture value from the home video game business?
4. How was Sega able gain market share from Nintendo?
5. Evaluate the competitive strategy of 3DO? What were the strengths of this strategy? What were the weaknesses?
6. Why did Microsoft enter this business with Xbox? How successful have they been?

## ***Session 12, Friday February 21<sup>st</sup>, PM***

### **Case: Uber - Driving Global Disruption**

Assignment Come to class prepared to discuss the following questions.

1. Describe the established regulatory structure of the ride for hire business, as it existed in a representative major metropolitan market in the United States prior to the introduction of Uber? Whose interests are served by this regulatory structure? Whose interests are not well served by established regulations? How have those who benefitted from this structure work to preserve it?
2. Analyze the competitive structure of the taxi market, as it existed in a representative major metropolitan market such as New York prior to the introduction of Uber? Where does economic power in the industry reside?

3. What are the customer problems that Uber is trying to solve? How is Uber trying to solve these problems? What is the basis of its strategy?
4. What is Uber's growth strategy? What are the biggest impediments to Uber's growth? How is Uber trying to deal with these?

### ***Session 13, Monday February 24<sup>th</sup>, PM***

#### **Competition in High Tech Markets**

Reading: Hill & Shilling, Chapter 7.

### ***Session 14, Wednesday February 26<sup>th</sup>, PM***

#### **Case: General Electric**

Assignment: Please come to class prepared to discuss the following questions.

1. What problems was General Electric struggling with during the 1960s and 1970s?
2. How did Jack Welch move to fix these problems?
3. What is your assessment of Welch's tenure?
4. What was Immelt trying to achieve at GE? What is your assessment of his tenure? What were the positive aspects? What didn't work and why?
5. What are the challenges now confronting Flannery? What should he do?

### ***Session 15, Monday March 2<sup>nd</sup>, PM***

#### **Lecture: Corporate Level Strategy**

Reading: Hill, Jones and Shilling, Chapters 9&10

### ***Session 16, Wednesday March 4<sup>th</sup>, PM***

#### **Case: 3M**

Assignment Come to class prepared to discuss the following questions.

1. What are the roots of 3M's culture of entrepreneurship and culture? What were the key tenants of this culture as they emerged over time?
2. How was entrepreneurship and innovation institutionalized within the company?
3. What were the strengths of 3M during the McKnight and DeSimone eras? What were the potential weaknesses?
4. The expansion of 3M into international markets was very successful. Why?

5. What was the drawback of 3M's international expansion strategy?
6. What problems started to emerge in 3M in the 1990s?
7. Why did the board hire an outside, McNerney, after DeSimone? What was McNerney trying to do at 3M?
8. Another outsider, George Buckley in 2005, succeeded McNerney. What was the thrust of Buckley's strategy at 3M?

## ***Session 17, Monday March 9<sup>th</sup>, PM***

### **Lecture: Implementing Strategy through Organization Form**

Reading: Hill & Shilling, Chapter 12

## ***Session 18, Wednesday March 11<sup>th</sup>, PM***

### **Case: Wal-Mart Stores**

Assignment: Please come to class prepared to discuss the following questions.

1. What are the sources of Wal-Mart's competitive advantage? Pay particular attention to location, operations and organization form?
2. What role did Sam Walton play in building Wal-Mart's competitive advantage?
3. Can Wal-Mart's competitive advantage be imitated?
4. Can Wal-Mart continue to grow its revenues and profits at historic rates? What strategies does it after pursue to make this happen?

### **Wrap Up!**