

COLUMBIA BUSINESS SCHOOL

B8001
Strategic Management of the Enterprise
Office Hours: MW 11:40 AM - 1:00 PM
701 Uris Hall

Summer 1999
Professor Kathryn Harrigan
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854-3494

WARNING: *Three class sessions during summer term meet on Fridays.*

COURSE DESCRIPTION**Course Purpose**

This course deals with the roles and responsibilities of the general manager - the person responsible for the effectiveness of an overall enterprise. The course is highly relevant in preparing students for eventual senior management positions, in providing students analytic frameworks for understanding the strategic and organizational priorities and issues faced by firms, and in providing students an integrated perspective for assessing the health and needed improvements in firms. Thus, the course is not only pertinent for students who intend to pursue general management careers, but also to those interested in management consulting, investment banking, venture capital, and other careers in which assessments of strategies, organizational effectiveness and management and action plans are centrally important.

The course takes a managerial point of view -- emphasizing application, execution, and the framing and resolving of large, multi-dimensional problems. As such, the course places students (primarily through cases and projects) in diverse managerial situations: large and small organizations, manufacturing and service industries, growing and mature firms, domestic and international settings, asking them to act as advisors to general managers or as line managers themselves.

Course content

The course is organized into four modules:

1. Corporate Purpose and Performance: In this module, the overall purposes of the firm are assessed. We look at the overarching importance of shareholder returns, but also identify how other performance metrics and strategic choices co-vary (or are at odds with) shareholder returns. The firm is viewed from the standpoint of multiple stakeholders who must be satisfied, and particular attention is paid to issues of social responsibility. We also discuss the role of corporate visions, ideologies, and objectives as factors in guiding and motivating strategic behaviors within the firm.

2. Strategic Management of the Multi-Business Firm: This module covers the general management decisions which arise when selecting a mix of business units, allocating resources among them, and enhancing coordinated activities among them. Corporate strategy concerns diversification decisions -- the use of acquisitions, strategic alliances, internal venturing -- as well as organization decisions (such as corporate-business unit relationships, vertical integration, and resource sharing). We will particularly discuss the concept of core competencies/resources as a basis for diversification, divestitures, alliances and internal resource sharing.
3. Strategic Management of the Business Unit: This module covers the content and process of business strategy formulation and organization. Emphasis is placed on analysis of the external environment, using the tools of industry, customer and competitor analysis. This module additionally covers the general management process for implementing business strategies in diverse types of situations. Successful execution proceeds from an informed understanding of current strengths and weaknesses, the organization's readiness for change, and the magnitude of the gap between the current business configuration and that required to support the new strategy. Concerted application of the levers for strategy implementation require alignment of all aspects of the organization.
4. Governance and Executive Leadership: Here, the course addresses the critically important issues of boards of directors and senior executive roles, responsibilities and styles. We will discuss the current debates and trends regarding board reform, and we will examine approaches to senior-level leadership.

GRADING CRITERIA

Individual contributions to class	35%
Module II Paper (group)	25%
Final Project (group)	<u>40%</u>
	100%

You may write an optional paper (due May 14th) that may either substitute for a lower paper grade or be added to consideration of your individual class contributions. Paper must be sole-authored. Module II Paper could be written individually. Final project needs combined efforts of a group.

Module II Assignment: Write a summary of Acquisition, Internal Development and Alliances modes of expansion - as studied in Banc One, 3M, and Corning. (1) Compare and contrast these three cases and develop a few guidelines about effective strategy and organization for each mode; (2) discuss the pluses and minutes of each mode; and (3) comment on when one mode might be preferable to another. Place your conclusions in the context of the scope of the multi-business firm. The objective of this paper is for you to develop some "take-aways" on the strategic management of the multi-business firm. Due: June 21st (at beginning of class)

Six pages of double-spaced 12 point text plus exhibits should be sufficient. See guidelines. Suggestion: Do not spend any space simply re-stating case facts. Remember that your reader knows all the facts quite well. What is important is analysis, synthesis and insight.

Final Project (Two Parts):

This project's primary focus is the concepts, ideas and generalizations on strategic management studies in Module III. You can, of course, draw on any part of the course as may seem appropriate, but competitive strategy issues are being discussed in Part 1 and Part 2 discusses competencies. See guidelines.

Part 1: Identify a single-business (or largely single-business) firm (excluding companies we have studied). Using interviews with company executives (at least two, from different functional perspectives in the company), interviews with close observers of the company (at least two) -- analysts, competitors, customers, suppliers, distributors, et cetera., and published sources, develop a report that answers these topics: Write about a single-business, competitive strategy problem for this paper. (Choose your industry well.) It is highly recommended that you use the same firm (but add another business-unit of that multi-business firm) for the final project. Include a bibliography of sources consulted (including who was interviewed).

Assignment: Identify the key exogenous uncertainties facing the industry you have selected and explain how these uncontrollable changes will challenge the performance of the business unit you are analyzing. Identify the major competitive challenges facing this business unit. What are the critical organizational, implementation and performance issues that must be addressed?

Page limit: 12 pages of double-spaced, 12 point text plus exhibits. Part 1 is due: (at beginning of class). Part 2 of the Final Project is due on August 11th at noon. See guidelines.

Note:

1. The student must make a demonstrated, good-faith effort on all required elements of the course in order to earn a passing grade.
2. Students will form their own groups of three-five people for the Module II Summary, Module III Project, and Final Project, if they wish to write in groups
3. Students' grades for group work may be adjusted on the basis of peer evaluation.
4. All written assignments must be double-spaced with one-inch margins and 12-point or larger font. Please heed the page limitations for each assignment.

HONOR CODE ISSUES

Because this course meets in multiple sections using a common syllabus (and because daily class participation is part of the grading criteria), it is essential to minimize communication from one section to another until after all sections have met. Otherwise some students in a later section could have an unfair advantage over others. Consequently, students should not give assistance to people who will meet in a later B8001 class or one taught by another instructor. Nor should students in a later section seek or willingly receive such assistance.

As a matter of fairness, you should not discuss the details of cases used in written assignments with future classes. The learning designed into these exercises is experiential. As such, case analysis should represent the unbiased thinking of the participants. All projects should represent original work performed for this class only.

COURSE MATERIALS LIST
B8001 -- Strategic Management of the Enterprise

Wednesday, May 12, 1999

Session 1

Introduction

Readings:

Collins, J. & Porras, J. (1994), Chapter 1: "The Best of the Best," pp. 1-11;
 Chapter 2: "Clock Building, Not Time Telling" and Interlude, pp. 22-45.
Built to Last: Successful Habits of Visionary Companies, Harper Collins.

De Gues, P. Arie (1997), "The Living Company," Harvard Business Review, 75(2): pp. 51-59.

MODULE ONE: CORPORATE PURPOSE AND PERFORMANCE

Friday, May 14, 1999

Session 2

The Anatomy of Corporate Performance

Readings:

Stewart, G. Bennett. (1991). The Quest for Value, Chapter 3 "Market Reality," Harper Collins, New York.

Kaplan, R.S. & Norton, D.P. (January-February 1992), "The Balanced Scorecard -- Measures That Drive Performance," Harvard Business Review, 70(1): pp. 71-79.

Monday, May 17, 1999

Session 3

Values and Corporate Performance and Multiple Stakeholders

Case:

The Body Shop International [N9-392-032]

Monday, May 24, 1999

Session 4

Multiple Stakeholder Model

Case:

Scott Paper Company (9-296-048)

Readings:

Collins, J. & Porras, J. (1994). Chapter 3: "More Than Profits", p. 54- 58, pp. 68-79, Built to Last: Successful Habits of Visionary Companies, Harper Collins.

Birchard, B. (July 1995). How Many Masters Can you Serve?" CFO, pp. 48-51, 53-54.

Wednesday, May 26, 1999

Session 5 Vision, Internal Guidance and Performance

Guest Speaker: Doug MacMillan, Chief Financial Officer, Cambrex Corporation,
<http://www.cambrex.com> (please perform your own search)

Readings: Collins, J. & Porras, J. (1994), Chapter 4: "Preserve the Core/
Stimulate Progress," pp. 80-90 and Chapter 6: "Cult-like Cultures,"
pp. 115-138. Built to Last: Successful Habits of Visionary Companies
Harper Collins.

Corporate information about Cambrex (*distributed in class*)

Wednesday, June 2, 1999

Session 6 Vision, Internal Guidance and Performance-continued

Case: NovaCare, Inc.: Living the Vision [9-394-110]

Readings: Collins, J. & Porras, J. (1994), Chapter 5: "Big Hairy Audacious Goals," and
Chapter 6: "Cult-Like Cultures," Built to Last: Successful Habits of Visionary
Companies, HarperCollins, pp. 91-139.

MODULE TWO: STRATEGIC MANAGEMENT OF THE MULTI-BUSINESS FIRM

Friday, June 4, 1999

Session 7 The Motivations for Multi-Business Firms

Case: DuPont, Monsanto and Dow Chemical
(Diversification into Life Sciences)

Readings: Collis, D.J. & Montgomery, C.A. (May-June 1998) "Creating Corporate
Advantage," Harvard Business Review, 76(3): pp. 70-83.

Monday, June 7, 1999

Session 8 Restructuring and Spin-Offs

Case: Cytex (A) [9-897-053].

Readings: Porter, M. (May-June 1987), "From Competitive Advantage to Corporate
Strategy," Harvard Business Review, 65(3): pp. 43-59.

Wednesday, June 9, 1999

Session 9 Acquisition Strategy: Integration and Organization

Case: Banc One - 1993 [9-394-043].

Readings: Lubatkin, M. & Lane, P. (February 1996), "Psst ... The Merger Mavens Still Have I Wrong!" Academy of Management Executive, 10(1): pp. 21-39.

Prahalad, C.K. & Hamel, G (1990), "The Core Competence of the Corporation," Harvard Business Review, 68(3): pp. 79-91.

Monday, June 14, 1999

Session 10 Internal Development: Strategy and Organization

Case: 3M Optical Systems: Managing Corporate Entrepreneurship [9-395-017]

Reading: Collins, J. & Porras, J. (1994), Chapter 7: "Try a Lot of Stuff and Keep What Works, Built to Last: Successful Habits of Visionary Companies, HarperCollins, pp. 140-188

Wednesday, June 16, 1999

Session 11 Alliances and Joint Ventures: Strategy and Organization

Case: Corning Inc: A Network of Alliances [9-391-102]

Reading Harrigan, K. R. (1988), Chapter 7: "Joint Ventures as Technological Change Agents," Managing for Joint Venture Success, Lexington, MA: Lexington Books [Free Press], pp. 143-164.

Kanter, R. M. (1994) "Collaborative Advantage: The Art of Alliances," Harvard Business Review, 72(4): pp. 96-108.

Monday, June 21, 1999

Session 12 Alliances and Joint Ventures: Strategy and Organization

Case: Corning - continued

Module II Paper is due at beginning of class

Wednesday, June 23, 1999

Session 13 Boards of Directors and Their Role in Strategic Process of Management

Guest Speaker: Robert Lear, Executive in Residence, Columbia Business School

Readings: Lorsch, J.W. (January-February 1995), "Empowering the Board," Harvard Business Review, 73(1): 107-117.

Lear, R. & Yavitz, B.Y. (April 1997), "America's Best ... and Worst Boards," CEO, pp. 32-39, 50 ff.

MODULE THREE: STRATEGIC MANAGEMENT OF THE BUSINESS UNIT

Monday, June 28, 1999

Session 14 Business Unit Strategy and Organization - Introduction.
Case: Intel Corporation: 1968-1997 (9-797-137)

Readings: Collins, J. & Porras, J. (1994), Chapter 5: "Big Hairy Audacious Goal,"
Built to Last: Successful Habits of Visionary Companies, HarperCollins, pp. 91
114.
Porter, M. (March-April 1979). "How Competitive Forces Shape Strategy",
Harvard Business Review, pp. 137-145. (*Optional*, review if needed)

Wednesday, June 30, 1999

Session 15 Business Unit Strategy and Organization –continued
Case: Intel Corporation – continued

Reading: Arthur, B. (July-August 1996), Increasing Returns and the New World
of Business," Harvard Business Review, pp. 100-109.

Hamel, A. & Prahalad, C.K. (May-June 1989), "Strategic-Intent,"
Harvard Business Review, 67 (3), pp. 63-76.

Monday, July 12, 1999

Session 16 Competitive Dynamics: Industry and Competitor Analysis
Case: British Satellite Broadcasting vs. Sky Television [9-794-031].

Reading: D'Aveni, R. (1994), "Introduction," Hypercompetition: Managing the Dynamics
of Strategic Maneuvering, Free Press, pp. 1-36.

Wednesday, July 14, 1999

Session 17 Business Unit Strategy: Managing Embryonic, Innovative Start-Ups
Case: Wildfire Communications, Inc. (A) [9-396-305]

Reading: Courtney, H., Kirkland, J. & Viguerie, P. (November-December 97) "Strategy
Under Uncertainty," Harvard Business Review, pp. 67-79.

Monday, July 19, 1999

Session 18 Business Unit Strategy: Rapid Growth, High Uncertainty Situations
Case: Leadership Online: Barnes & Noble vs. Amazon.com (A) [N-798-063]

Reading: Eisenhardt, K. and Brown, S. (1998), "Time Pacing: Competing in Markets That
Won't Stand Still," Harvard Business Review, 76(2): pp. 59-69.

Wednesday, July 21, 1999

Session 19 Business Unit Strategy: Differentiation Where Few Degrees of Freedom Exist
Case: Progressive Corporation[N9-797-109]

Reading: Porter, M.E. (1980), Chapter 8: "Industry Evolution," Competitive Strategy: Techniques for Analyzing Industries and Competitors, NY: Free Press, Pp. 156-188.

Monday, July 26, 1999

Session 20 Business Unit Strategy: International Quest for Customers, Scale Economies
Case: Bain & Company: International Expansion (9-395-102)

Wednesday, July 28, 1999

Session 21 Business Unit Strategy: Cost Reductions Where Few Degrees of Freedom Exist
Case: Lincoln Electric [9-376-028]

Reading: Porter, M.E. (November-December 1996), "What Is Strategy?" Harvard Business Review, 74 (6), pp. 61-78.

Friday, July 31, 1999

Session 22 Business Renewal and Module III Summary
Case: Asahi Breweries Ltd. (9-389-114)

Reading: Harrigan, K.R. & Porter, M.E. (July-Aug 1993) "Endgame Strategies for Declining Industries," Harvard Business Review, (61) (4), pp. 111-120. (*Optional*)

Part 1 of Final Project is due at beginning of class

MODULE FOUR: GOVERNANCE AND EXECUTIVE LEADERSHIP

Monday, August 2, 1999

Session 23 Executive Leadership
Case: Phil Knight: CEO at NIKE [9-390-038]

Reading: Collins, J. & Porras, J. (1994), Chapter 8: "Home-Grown Management" and Chapter 9: "Good Enough Never Is," Built to Last: Successful Habits of Visionary Companies, HarperCollins, pp. 169-200.

Wednesday, August 4, 1999

Session 24 Course Summary
Case: Orit Gadiesh: Pride at Bain & Co. (A) [9-494-031]

Reading: Collins, J. & Porras, J. (1994), Chapter 10: "The End of the Beginning," Built to Last: Successful Habits of Visionary Companies, HarperCollins, pp. 201-230.

Part 2 of the Final Project is due August 12 (by noon)

Guidelines for Optional Paper Assignment (due May 14th at beginning of class)

B8001 takes the viewpoint of the CEO (and general managers reporting to the CEO). The first course module is concerned with corporate purpose and performance. Although the CEO is ultimately responsible for how stakeholders value the enterprise, implementation may be delegated to a Manager of Investor Relations.

Assignment

How should the CEO evaluate the Investor Relations function?

Explanatory Information:

Please recommend in painstaking detail how the CEO should conceptualize of this job and evaluate the performance of individuals holding this job description. Please include as many actionable details as possible to explain how the Manager of Investor Relations best serves the CEO (and how the CEO can ensure that the job is being done effectively). Topics should include details such as measures of performance and basis for executive compensation, as well as the overarching concerns detailed in the syllabus.

If you submit a paper, it is due at the *beginning* of class on Friday, May 14th. The paper will be used to replace a lower subsequent paper grade or to supplement point accumulations earned through daily class participation as reported under the Individual Contributions to Class [35%] section of Grading Criteria. Writing the paper is a good idea if you are concerned about how well you will do in daily class discussions.

Although there is no page limit, 5-pages (single-spaced) seems abundant. Figures, charts, tables, and other expository materials are not included in the page count.

Guidelines for Module II Paper (due June 21st at beginning of class)

Required: Use examples from Banc One, 3M, and Corning to support your points. Other cases discussed thus far in course may also be used to illuminate your insights concerning these concepts.

Assignment: Contrast and compare modes of expansion for corporate growth and synergy, noting the favorable attributes of each mode as well as their respective disadvantages. Develop a contingency model, suggesting exogenous¹ and endogenous² conditions when each respective expansion mode is favored over others. What makes an effective acquisition strategy, internal development strategy, alliance strategy, et cetera? What organizational guidelines are recommended? Since your essay is meant to capture "take-aways" regarding the strategic management of multi-business firms, it is necessary to discuss diversification strategies as part of your summary.

¹"*Exogenous*" forces are not directly under the control of managers since they are external to the firm. At best, individual firms can only influence the evolution of exogenous conditions.

²"*Endogenous*" circumstances are generally within the control of management since they are internal conditions created by resource allocation decisions, implementation policies, et cetera.

Suggestion: Do not expend any unnecessary space in simply re-stating case facts. Remember that your reader knows case facts quite well. (She is seeking enlightenment.) What is important is your analytical framework, synthesis of ideas, insights, recommendations, implementation details. Be clear, specific, and brief.

You are permitted up to six pages (double-spaced, twelve-point font) of text plus exhibits, but less is recommended. You may write in teams no larger than five in number.

Guidelines for Part 1 for Final Project (due July 30th at beginning of class)

Required: Write about a single-business,³ competitive strategy problem for this paper. (Choose your industry well.) It is highly recommended that you use the same firm (but add another business-unit of that multi-business firm) for the final project.

Interview company executives representing at least two functional perspectives for this paper. Interview outside observers -- analysts, competitors, customers, suppliers, distributors, et cetera. Include a bibliography of sources consulted (including who was interviewed).

Assignment: Identify the key exogenous uncertainties facing the industry you have selected and explain how these uncontrollable changes will challenge the performance of the business unit you are analyzing. Identify the major competitive challenges facing this business unit. What are the critical organizational, implementation and performance issues that must be addressed? What recommendations would you make to deal with these issues? What changes must be made to implement your recommendations? How do you propose that your recommendations be implemented?

Although you may focus on any combination of strategy formulation/ strategy implementation/ organization issues of interest to you, some discussion of what is typical in the industry -- via-a-vis competitors -- is recommended.

You are permitted to use up to 12 (double-spaced, 12-point font) pages of text (plus exhibits) to complete this assignment (because some narrative information must be presented before your analysis). Choose the subject of this paper with Part 2 of the final project in mind.

Guidelines Concerning Part 2 of Final Project (due August 11th at noon). No exceptions.

The core competence part of this project will enhance students' understanding of the strategic management of the diversified firm, and particularly the concept of exploiting a core competence across multiple lines of business. Please write about the same firm evaluated in the summary of Module III concepts, but add at least one other business unit (different industry or international context) to the analysis.

³If you choose a firm that is in only one industry (highly-undiversified), it should be a multinational firm so that you can write about a business-unit, competitive strategy problem in one country or region of the worldwide firm's operations.

Required: Identify how your chosen company exploits a core competence across multiple lines of business. Using interviews with company executives (at least two, from different business units of the company), interviews with other close observers of the company (at least two), and published sources, develop a written report that addresses, at a minimum, the following six topics:

- What is the company's core competence?
- How is the company currently exploiting its core competence? (Required: provide example -- in two specific industry contexts -- of how this competency enables company to be a superior competitor; translate the competency into value creation; try to quantify impact of leveraging the competency; develop an analytical model of competence's linkages to firm's organizational policies.)
- How might the company further exploit its competence in the future? What must it do to enhance, nurture and amplify this competence to keep it valuable?
- What administrative, organizational, human resource, or management practices serve to help the company create value by exploiting its core competence? What administrative, organizational, human resource, or management practices enhance, nurture and amplify the value of this competence?
- What administrative, organizational, human resource, or management practices currently prevent the company from creating as much value from its core competence as it might? What administrative, organizational, human resource, or management practices harm the firm's competence or destroy its value?
- What recommendations would you make to top management?

This report should be no longer than 8 double-spaced pages, plus exhibits and bibliography. You must list your sources and re-submit the paper summarizing Module III concepts with this final project. Report is due no later than Noon on August 11th.