

UNIVERSITY OF SOUTHERN CALIFORNIA
MARSHALL SCHOOL
DEPARTMENT OF MANAGEMENT & ORGANIZATION

MOR-588: CORPORATE STRATEGY & COMPETITIVE DYNAMICS (1.5 units)

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Corporations have undergone significant changes in the past few decades. Merger & acquisition booms followed by periods of restructuring have led to new forms of corporate organization. The success of these strategies depends on the degree to which companies can influence competitive conditions through pre-emptive and other tactics. Change and renewal are continuous. This course explores the various modes of corporate development available to managers to drive growth and change. The objectives include: (1) to arm you with tools to select the appropriate strategy in a given situation; (2) to develop a framework for executing M&As; and (3) to develop a comprehensive framework for leadership, renewal, and change. The emphasis is on strategic, leadership, and operational aspects of these frameworks.

Pedagogical Approach and Evaluation

This is an applied, case-based course with accompanying readings to help structure your thinking. Preparation questions for a case will be assigned prior to each session. Readings are designed to provide a starting point for analyzing the case, but extension of the ideas is encouraged, as they will be applied in an integrative fashion in the discussions. Given the nature of the course, we will also apply the lessons from the cases to understand the challenges and implications of relevant recent and on-going deals. Since corporate development is a complex phenomenon that we can only discuss in parts, it is important that you evolve your own mental framework throughout the course.

Evaluation in the course is based on class participation, worksheets/quizzes, and a group project in which you will analyze a recent M&A transaction:

Class Participation	10%
Class worksheets and/or quizzes	30%
Group Project Paper	60%

Class participation is an important component of your learning in this course and I expect that you will be well prepared for each session. I will cold call on students and lack of preparation will adversely affect your grade. Comments that show thorough preparation and are relevant to the question and issue under discussion will be viewed as positive contributions.

Learning Objectives

This course is primarily focused on the following objectives:

- Understand frameworks of competitive dynamics, corporate strategy, and other related emerging concepts; and
- Gain practice in translating and applying theoretical concepts to complex decision-making environments.

Guidelines for Project Work

The project is intended to give you the opportunity to apply your learning from the course to a context that is interesting, current and relevant. Specific topics and instructions will be discussed in class. **You have a choice between doing a strategy design project (details of which will be discussed in class) OR you can do a written analysis of a merger/acquisition.** If you choose the latter, you are required to submit a paper as described below. In the paper, you are required to clearly and logically apply the course material to the phenomenon being investigated, and present a rigorous quantitative and qualitative analysis of the phenomenon. The paper should be less than 15 double-spaced pages. Exhibits, e.g., figures, diagrams, and spreadsheets are not counted in the page limit. Papers should be emailed in PDF format to: Bhambri@marshall.usc.edu. before 11 pm on Thursday, March 2, 2017. Specific topics will be distributed in class. The strategy design project will be discussed in class and be done by using specific design tools provided to you. The final reports are due on March 2, 2017.

HBS Readings

Cases and selected readings will be available on the Harvard Business School Publishing website. Assignment questions and readings will be regularly updated on Blackboard and you will be sent links to download materials from HBSP. If you already have an online account at HBSP, you will login and the link will take you to our reading package, which will appear in your library. If you do not have an account, you should register and create an account with this link. Once you see the MOR 588 package, there is a button to PURCHASE MATERIALS. If you have technical difficulty, you may call Harvard Business Publishing technical support (800) 545-7685. They are available 24/7.

CLASS SCHEDULE

Business Models, Competition, and Strategic Thinking

January 9, 11: The Inexorable Rise of Wal-Mart? 1998-2016

1. Identify Wal-Mart's early strategy, and explain how and why it enabled Wal-Mart to be so successful in an industry with intense rivalry.
2. How sustainable was/is Wal-Mart's competitive advantage in discount retailing? Where was Wal-Mart's advantage most sustainable? What were the bases of sustainability? Why couldn't competitors match Wal-Mart in the 1990s?
3. In which areas has Wal-Mart stumbled? Against whom and why?
4. What should Wal-Mart do at the end of the case?

Wal-Mart is an excellent case to examine different aspects of strategy because it provides us the opportunity to study the evolution, rise, and possible decline of one of the most powerful companies in the world. We will use it to lay out the scope of the course by reviewing the following topics:

- Business Models
- Strategy Assumptions
- Competitive Advantage
- Value Creation and Capture
- Business Renewal

January 18: This day will be a summary of our learning from our extensive discussion of Wal-Mart and an interactive discussion of strategic thinking.

HBR: Blue Ocean Strategy and other references emailed to you.

January 23: Dogfight over Europe: RyanAir (A), B, and C

This case, set in 1986, is a business school classic. It describes Ryanair's initial launch strategy. Ryanair must compete with established companies like Aer Lingus and British Airways that will likely retaliate against Ryanair. This case gives us a chance to explore Ryanair's strategy, positioning, and sustainability through a series of cases. In preparing for class, please think of the following questions:

Based on the A case:

1. What is your assessment of Ryanair's launch strategy? How do you expect Aer Lingus to respond? Why?

Based on the B case:

2. Why did the competition become a capacity and price war? Why is Ryanair on the verge of bankruptcy?

Based on the C case:

3. What are the key choices that explain Ryanair's turnaround? Which competitor should they be most concerned about at the end of the C case?

Changing the Rules of Competition through Design Thinking

Design Thinking has become one of the most influential new drivers of strategy and competition in the past few years. Not surprisingly, some of the top strategy consulting firms have acquired innovative design firms to build these capabilities in-house. Examples are the acquisition of Lunar Design by McKinsey and Doblin by Deloitte. To expose you to the kinds of tools that design firms use to make radical innovation a systematic capability, and to give you some practical experience with these tools, we will work with an award winning design firm, RKS Design, and use their proprietary tools in a specific project, LoanGifting.

January 25: 1) Case: RKS Guitars; 2) Handbook of Psycho-Aesthetics Advanced Design Thinking Methodology; 3) LoanGifting Slide Deck

What is your assessment of the P/A process as a framework for radical innovation and changing the rules of competition? How would you apply the P/A process to LoanGifting?

Platform Competition

Some of the most impactful business successes of the past decade have resulted from platform based business models. In this module, we will discuss the transformative impact of platform businesses and why some are more successful than others. We cannot discuss platform businesses without understanding their disruptive impact so we will also introduce theories of disruption.

January 30: eBay, Inc. and Amazon.Com (A)

How to Design a Winning Business Model by R. Casadesus-Masanell and J. Ricart, HBR R1101D

1. What are the key drivers of profitability in eBay's business model?
2. What are the key drivers of profitability in Amazon's retail business model? How does the retail business model interact with that of eBay?
3. How has Amazon's business model evolved? What have been the implications of the changes in Amazon's business model for eBay?
4. What would you recommend for eBay going forward, and why?

February 1: Uber: Changing the Way the World Moves

Fasten: Challenging Uber and Lyft with a New Business Model

1. What explains the rapid growth of ridesharing companies such as Uber and Lyft?
2. What explains Fasten's successful entry into the Boston market?
3. Is Uber's valuation too high or too low?
4. Is the rideshare market winner take all?
5. How will the self-driving vehicle technology affect the industry?

February 6: Kindle Fire: Amazon's Heated Battle for the Tablet Market

Amazon, Apple, Facebook and Google

BusinessWeek: Google Returns to Earth, December 12-18, 2016

1. What is the Kindle Fire? Would you characterize it as a "tablet"? Why or why not?
2. Who should Amazon target with the Kindle Fire? Which target segments and use cases are the most compelling?
3. How should Amazon position the Kindle Fire relative to the iPad and other tablets in the market?
4. Based on your analysis of estimated sales and profits for the Kindle Fire, what bets is Amazon making in the business model for the Kindle Fire?
5. If you were Apple's CEO, how would you respond to the Kindle Fire?
6. How would you describe the nature of co-operation and/or competition between Amazon, Apple, Facebook, and Google?

Corporate Strategy & Multi-business Corporations

So far, most of our discussions have focused on business unit strategy as opposed to corporate level strategy. Whereas business strategy focuses on the question of how to compete, corporate strategy focuses on which businesses to compete in and the extent and type of coordination across businesses.

February 8: Danaher Corporation

Additional readings: Avoiding the dinosaur trap, Economist, May 31, 2014; Return of the giants, Economist, November 21, 2012; From dodo to phoenix, Economist, January 11, 2104

1. What is Danaher's acquisition process? Is it a sustainable process?
1. If you are a business unit manager, what is the value that you get from being part of Danaher? What are the disadvantages that you face?
2. If you were managing a firm, would you rather compete against a division of a conglomerate like Danaher or an independent firm? Explain your answer.
3. If you were an investor, would you rather invest in a firm that competes in only one business or a firm that competes in many businesses?
4. What seem to be the current trends driving conglomerates?

February 13: Discussion of Danaher and corporate strategy – (2)

February 15: Design Thinking and Changing the Rules of Competition – part 2

Acquisition Strategy

February 20: Cadbury Schweppes: Capturing Confectionery (A) #9 708 453

After reading the Cadbury Schweppes A case:

- 1) As a member of the Board of Cadbury Schweppes would you approve a bid of more than \$4 billion for Adams? Why? Why not?

February 22: Cadbury Schweppes: Capturing Confectionery (B) #9 708 454

The New M&A Playbook C. Christensen, R. Alton, Curtis, A. Waldeck HBSP R1103B

After reading the Cadbury Schweppes B case:

- 1) Are you more likely or less likely to approve a bid after you look at the detailed synergy calculations?
- 2) Which synergies do you agree with? Which synergies do you disagree with? Why?

February 27: \$19B 4 txt app WhatsAppomg!

In this session, we will discuss the much talked about acquisition of WhatsApp by Facebook. Using concepts that we have discussed so far, and your understanding of strategy, we will apply these concepts in a new space.

1. Do you agree with Facebook's \$22b purchase of WhatsApp? Why or why not?
2. What analyses support your position? What assumptions are you making?

Synthesis and Wrap-up

March 1: Mega Corporation (A)

When New CEOs Succeed and Fail, L. Greiner, T. Cummings, A. Bhambri

March 2: Group reports/final presentations due

Academic Integrity and Conduct

USC seeks to maintain an optimal learning environment. General principles of academic honesty include respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others, as well as to avoid using another's work as one's own (plagiarism). Plagiarism – presenting someone else's ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. All students are expected to understand and abide by the principles discussed in the SCampus, the Student Guidebook (www.usc.edu/scampus or <http://scampus.usc.edu>). A discussion of plagiarism appears in the University Student Conduct Code (section 11.00 and Appendix A).

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: <http://www.usc.edu/student-affairs/SJACS/>. Failure to adhere to the academic conduct standards set forth by these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal.

No audio or video recording is permitted.

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the Office of Equity and Diversity <http://equity.usc.edu/> or to the Department of Public Safety <http://capsnet.usc.edu/department/department-public-safety/online-forms/contact-us>. This is important for the safety of the whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report or can initiate the report on behalf of another person. The Center for Women and Men <http://engemannshc.usc.edu/cwm/> provides 24/7 confidential support, and the sexual assault resource center webpage <https://sarc.usc.edu/reporting-options/> describes reporting options and other resources.

Support Systems

Students whose primary language is not English should check with the American Language Institute <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students. The Office of Disability Services and Programs (www.usc.edu/disability) provides certification for students with disabilities and helps arrange the relevant accommodations. If an officially declared emergency makes travel to campus infeasible, USC Emergency Information (<http://emergency.usc.edu/>) will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology.

The Office of Disability Services and Programs (www.usc.edu/disability) provides certification for students with disabilities and helps arrange the relevant accommodations. Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to your TA) as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–

5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: ability@usc.edu.

Emergency Preparedness/Course Continuity

In case of a declared emergency if travel to campus is not feasible, the USC Emergency Information web site (<http://emergency.usc.edu/>) will provide safety and other information, including electronic means by which instructors will conduct class using a combination of Blackboard, teleconferencing, and other technologies.

Please make sure you can access this course in Blackboard and retrieve the course syllabus and other course materials electronically. You should check Blackboard regularly for announcements and new materials. In the event of an emergency, the ability to access Blackboard will be crucial. USC's Blackboard learning management system and support information is available at blackboard.usc.edu.

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About your professor

Arvind has a Doctorate in Business Administration from Harvard University and a Master in Management from the Indian Institute of Management. He has been on the faculty of USC's Marshall School of Business for more than 30 years. In addition to consulting with several companies, he has taught at the Getty Museum Leadership Institute, Bocconi University, University of Hawaii's Advanced Management Program, and the Owner Managed Business Institute in Boston.