

**BA-550, Global 500 - MANAGEMENT ANALYSIS/ GLOBAL STUDIES CAPSTONE SEMINAR
Spring 2008**

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Monday: 5:30 p.m. - 8:10 p.m.
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Required/Recommended Materials:

- You **are required** to have a Reading Packet - These are available for purchase at **IKON Copy Center** in the student union.
- You must have a University of Wisconsin at Milwaukee-furnished email account and check this at least once every week. You will be responsible for reading/adhering to any class-relevant information I send via this medium. You can arrange for forwarding mail from your UWM account to other accounts at <http://www.uwm.edu/IMT/ePanther/email/>.
- Regular reading of the *Wall Street Journal* and/or *Financial Times* is highly recommended.

Prerequisites:

For Business Majors: Senior standing & admission to Bus Adm major (excluding Pre-Bus Adm srs & University Special Students with no undergrad degree); Bus Adm 202(P) or 301(205)(P); Bus Adm 330(P), 350(P), 360(P), & English 205(P).

For Global Studies Majors: junior standing; declared global studies major; or consent of instructor.

Course Description:

In this course, we will primarily concern ourselves with company strategy, or the methods by which a firm attempts to outperform rivals, earn additional profits, or simply survive. We will spend time analyzing the feasibility of broad-based/long-term strategies. Your previous classes have centered on various business sub-disciplines such as Marketing, Finance, MIS, Accounting, and Operations. In this class, our goal is to integrate knowledge gained from these classes in order to provide a "macro" view of managers' activities and strategies firms use to develop competitive advantages. A sampling of questions we will examine are:

- Why do firms enter certain product markets?
- Why did a firm acquire another firm?
- Why can one company perform more admirably than can its competitors?
- Is a particular industry attractive for investment?

This course will depart from other sections of 550 as this section emphasizes the international context of firm operations. Such a focus is useful for several reasons:

- Multinational enterprises (MNEs) face the difficulty that products or services that are popular in one country or region are frequently rejected by customers elsewhere. Some examples include:
 - Toyota Camry - best seller in the US, but poor sales record in Japan;

- Ford Mondeo (marketed as the Contour in the US) and Volkswagen Golf - dominate the European market, but have little presence in North America or Asia;
- Coke Classic (the so-called "world drink") tastes differently around the world because of variability in sugar content;
- Most business school graduates will eventually be faced with foreign-owned suppliers, customers, and/or competitors, as well as selling and investing overseas. Likewise many graduates will end up working for a foreign owned corporation, and some may experience downsizing due to global consolidation. For example:
 - As of 2005, Foreign-owned corporations directly employ 5.2 million Americans, nearly 1 million British and 18 million Chinese; and
 - Subsidiaries of US firms employ approximately 8 million Africans, Asians, Australians, Canadians, Europeans and Latin Americans.

Course Learning Objectives:

If you successfully complete this course, you will be able to:

1. Identify major strategic management concepts, theories, and models and identify business situations in which you could apply them.
2. Apply some management decision-making techniques and support tools in exploring and briefly analyzing various companies' problems.
3. Apply concepts and techniques you learned in your major courses and in this course in order to perform an in-depth analysis and evaluation of one complex company situation.
4. Devise a well constructed set of recommendations and arguments supporting your proposed alternative strategic actions for a company.

Evaluation:

- | | |
|---------------------------|-----|
| 1. Exams: | 60% |
| 1.1. Midterm - | 30% |
| 1.2. Final - | 30% |
| 2. Assignments (7 of 11): | 20% |
| 3. Class Participation: | 20% |

Grade Scale:

A	B	C	D	F
A: 93-100%	B+: 87-89.9%	C+: 77-79.9%	D+: 67-69.9%	F: 0-59.9%
A-:90-92.9%	B : 83-86.9%	C : 73-76.9%	D : 63-66.9%	
	B-: 80-82.9%	C-: 70-72.9%	D-: 60-62.9%	

1. Exams

To receive credit for this class, you must complete all scheduled exams on the date scheduled for you class. Exams will consist entirely of essay questions. I am not interested in what you can memorize (nor are current/future employers). Rather, I am interested in your ability to critically evaluate and analyze business situations. I will give you a reading (e.g. *Business Week* or *WSJ* article) and ask you to offer opinions about what the company in the case did and/or what it should do to succeed. You will be able to bring to the exams notes contained on a single sheet of 8 ½ x 11 inch paper (you can write/type/copy information on both sides of the paper). Exams will be based on our readings and discussions. Note that my grading of these exams is especially **subjective**. In contrast to multiple choice exams which generally contain one easily identifiable correct answer per question, grading of exams administered in this class will unavoidably **involve my opinion** as to the value of your answer. You should not enroll in either of my sections if you are uncomfortable with this policy.

Make-up Exams

If you miss taking an exam on a scheduled exam date and time and *have a valid excuse*, you will be able to take a make-up for that exam. It is your responsibility to 1) supply me with documentation demonstrating the validity of your excuse, and 2) arrange with me a suitable date to retake the exam. If you fail to take an exam on a scheduled date and time and do not have a valid excuse, you will receive 0 (zero) credit for that exam. Valid excuses include sickness (which must be accompanied by a physician's note attesting to your inability to take an exam on a scheduled exam date), religious holiday and family death (which must be accompanied by proof). Invalid excuses include job interviews and family vacations.

Exam Appeals

From time to time, I have made mistakes grading exams. In the event you believe I have inordinately penalized you on an exam, you can appeal your exam grade provided you do so within the following parameters:

1. Your appeal must be typed on 8 ½ x 12 inch white paper, double spaced, 1 inch margins, 12 pt font.
2. Your appeal must be attached to the appealed exam and must be turned in no later than 1 (one) week after I distribute graded exams.
3. You must state specific reasons as to why you believe I have erred in grading your exam. **Simply asking me to reexamine your exam is not a valid basis for appeal—doing so will cause you to surrender your right to appeal.**
4. If an appeal is turned in, I reserve the right to re-grade any or all parts of the exam in addition to the appealed portion.
5. My ruling after this initial appeal process is **final**.

A sample exam is attached to the end of the syllabus.

2. Class Participation

In order to receive the greatest benefit from this class, you must **participate** in class. Material contained in the readings/cases is information (i.e., knowledge that is simply factual in content). In order to transform this knowledge into know-how (i.e., knowledge required for skillful performance), you must critically judge the material presented and share your opinions with your colleagues. Business success is not predicated on memorization. Rather, it requires insight, contradiction of the norm, intuition, and strength of conviction. Class participation will allow you to further develop these skills as well as allow your colleagues to benefit from your insights. Class participation, however, does not entail criticizing your colleagues in a demeaning manner (and I certainly will not reward such activity. Demeaning comments will result in class participation grade reductions). Do not be afraid to share constructively critical thoughts. Remember, a Yale professor told Fred Smith his idea for overnight package delivery service would never work. Smith soon after founded Federal Express Corp. and launched a \$40 billion industry.

What I look for in effective class participation:

1. Did you miss any classes?
2. Are you a good listener?
3. Are your points relevant to the discussion? Are they linked to the comments of others?
4. Do your comments show evidence of analysis of the case or comprehension of the assigned reading?
5. Do comments add to our understanding of the situation?
6. Are you willing to participate regularly and frequently?

7. Are you willing to test new ideas or are all comments "safe" (repetition of case facts without analysis or conclusions)?
8. Are you willing to interact with other class members?
9. Do your comments clarify and highlight the important aspects of earlier comments and lead to clear statement of the concepts being covered?
10. Can you answer the assigned questions for the case or respond to questions about the assigned reading?
11. Did you actively engage in the in-class projects (you may be asked to rate your peers in this regard as well as receive ratings from these same peers)?

Students sometimes complain at the end of the term that they had their hands raised and were not called upon frequently enough during the term. If you think this is happening to you, *it is your responsibility to inform me of this as early as possible in the term so that I can redirect attention toward you.* Remember, however, that I cannot call on you every time your hand is raised.

Please do not allow cell-phones/communication devices to disrupt class. If you need to bring these to class, make sure you turn off the sound alert mechanisms. Unnecessary class disruptions of this kind will negatively impact your class participation grade.

Please note that my grading of class participation is very **subjective**. I will use the criteria listed above to develop of my **opinion** assess your participation. If you are uncomfortable with this, you may want to reconsider enrolling in this class. If you attend all classes, but say nothing in class, you will receive a class participation grade of 70. If you perform admirably on all criteria (and if you think about it, this would not be a difficult achievement), you will receive a class participation grade between 95-100.

In addition, I must have a wallet size photograph and index card of every student enrolled in this class. I will take pictures on the first day of class. Students who miss this session must supply me with a photograph. Students who do not have a picture taken by me and do not submit a picture will receive a grade of 59 for class participation.

Class participation grades you receive in this class are subject neither to appeal nor discussion.

3. Assignments

Each week, we will discuss a case and concepts related to that case (you will be alerted to the relevant concepts either by assigned reading or by discussion in the previous class). For 7 (seven) of the 11 (eleven) "assignment" weeks (denoted on the following schedule by an X in the **ASG** column), you must find an article that is *relevant* to that week's discussion (articles cannot discuss the companies/industry on which the cases focus). For example, a relevant article for the second week of class is on with which you can analyze and industry (e.g., witness for example the Office Max article attached) ***Articles must be full length. Earnings announcements, for example, are not sufficient. ARTICLES CAN BE NO MORE THAN 4 MONTHS OLD. YOU CAN SELECT ARTICLES ONLY FROM THE WALL STREET JOURNAL, NEW YORK TIMES, ECONOMIST, FINANCIAL TIMES, BARRON'S, BUSINESS WEEK, FORBES, FORTUNE, MILWAUKEE JOURNAL SENTINEL, CHICAGO TRIBUNE*** (you can select articles from these print sources or the web sites associated with these sources). **Other sources are not acceptable and assignments not utilizing these noted sources will be given a grade of 0 (zero).** You must then, in one to two pages (word-processed, double-spaced, 12 pt font) (1) summarize the article, (2) discuss how the strategies used by the company in your article are similar to or different from the company discussed in that week's case, and (3) discuss the article's relevance to those

concepts focused on in that week's class. These must be word-processed - no hand written assignments will be accepted. **Papers must be turned in by the end of class. Papers turned in after the end of class will not be accepted. Be sure to staple your typewritten answer to your article.**

Papers that simply summarize the article but do not relate it to the case nor the concepts will be given a D grade. Papers that summarize the concepts and summarize the case will be given a C grade, papers that summarize the concepts, summarize the case, and summarize the article will be given a grade of B, and papers that summarize the article and apply the theory to the article will be given an A grade.

An example of a completed assignment is attached.

Assignment grades you receive in this class are subject neither to appeal nor discussion.

You can hand in more than 6 assignments. However, I will calculate your final homework grade based on your highest 6 assignment grades.

THERE MAY BE LITTLE CORRELATION BETWEEN THE GRADES YOU RECEIVE ON YOUR HOMEWORK AND THE GRADES YOU RECEIVE ON YOUR CLASS EXAMS.

4. Computer Access

Overheads and related materials will be placed on the Business School's G: drive in the "Levitas" folder. You can access this internally (on the UWM campus) or remotely at http://www.sba.uwm.edu/gdrive/Levitas_E/.

Note: It is your responsibility to keep all assignments/exams that I return. Your reproduction of these may be necessary in the event that your assignment/exam grades are recorded incorrectly.

SCHEDULE

(I RESERVE THE RIGHT TO ALTER THE CONTENTS AND SCHEDULING OF THE MATERIAL CONTAINED IN THE SYLLABUS)

Week	Date	Asg	ASSIGNMENT	QUESTION TO THINK ABOUT
1.	1/28		INTRODUCTION	
2.	2/4	X	Industry Analysis. Reading: <u>pages138-143 of M. Porter, "How Competitive Forces Shape Strategy."</u> Case: <u>Cola Wars Continue: Coke and Pepsi in the 21st Century</u>	1. Why is the soft drink industry so profitable? 2. How do the economics of the concentrate business differ from that of the bottlers?
3.	2/11	X	Uniqueness. Case: <u>Wal-Mart Stores Inc & Wal-Mart, 2005</u>	1. What are the bases of Wal-Mart's success? 2. Are these sustainable?
4.	2/18	X	Uniqueness in Hostile Environments. Case: <u>Case: Apple 2006</u>	1. Historically, what were Apple's major competitive advantages? 2. Analyze the structure of the PC Industry over the last 15 years. How have the dynamics of the industry changed? 3. Does the Ipod represent a solution to Apple's long-standing problems
5.	2/25	X	Dual Strategies and Strategic Failure Case: <u>Delta Air Lines (A): The Low-Cost Carrier Threat</u>	1. During the 1990s, one of the 5 largest air carriers in the United States earned its cost capital. Why? 2. Southwest and JetBlue earned enviable returns. How? 3. What would you recommend to Delta's Board?
6.	3/3	X	Worldwide Operations and Inertia. Case: <u>Philips versus Matsushita: A New Century, A New Round</u>	1. How did Philips become the leading consumer electronics company in the post WWII era? 2. How did Matsushita displace Philips? 3. Why was change so difficult for both companies?
7.	3/10		EXAM 1	
8.	3/17		SPRING VACATION	
9.	3/24	X	Country Analysis Reading: <u>Country Analysis</u> Case: <u>Russia: The End of a Time of Troubles?</u> Case: <u>1-800 Buy Ireland</u>	1. Russia's transition to capitalism did not proceed as planned. Why? 2. Who is to blame? 3. What is to be done? 4. How has Ireland successfully transformed its economy from a net exporter of laborers to the second richest EU country per

				capita (in 2005)?
10.	3/31	X	DIVERSIFICATION, REPLICATION OF BUSINESS MODELS & SEGMENTATION ACROSS BOUNDARIES Case: <u>The Globalization of Cemex</u>	<ol style="list-style-type: none"> 1. What benefits have CEMEX and the other global competitors in cement derived from globalization? 2. How specifically has CEMEX managed to outperform its leading competitors?
11.	4/7	X	Structure and Control Case: <u>Kentucky Fried Chicken (Japan) Ltd.</u>	<ol style="list-style-type: none"> 1. What is your impression of the way KFC is managing its international operations? 2. What changes, if any, should Dick Mayer make? 3. Prepare a specific action plan for Mayer to help him deal with the need for continued growth in Japan and the need to expand into Korea, Taiwan, Thailand, Hong Kong
12.	4/14	X	Diversification: International Expansion and the effects of organization and innovation Case: <u>P&G Japan: The SK-II Globalization Project</u>	<ol style="list-style-type: none"> 1. As Paolo DeCesare, what factors do you need to consider when recommending your SK-II presentation to the Global Leadership Team? 2. Does SK-II have the potential to become a global brand within P&G's operations?
13.	4/21	X	Governing the International Corporation Case: <u>Vivendi: Revitalizing a French Conglomerate</u>	<ol style="list-style-type: none"> 1. What is Vivendi's corp. mission and does it have the potential to create shareholder value? 2.
14.	4/28	X	The Effects of Politics on Trade Case: <u>Chiquita Brands International</u>	<ol style="list-style-type: none"> 1. What role has politics played in the history of Chiquita? 2. What should Lindner do about EU's banana policy?
15.	5/5		TBA	
16.	5/12		EXAM 2	

SAMPLE WRITTEN ASSIGNMENT

Assignment 1, Week 2: Industry Analysis

The article "Officemax: A Distant Third" discusses Officemax's problems in the retail office supply industry. Specifically, Officemax has been unable to match the profitability of the two most successful firms in the industry: Staples and Office Depot. Although Officemax's sales are expected to grow by 17% this year to \$4.4 billion, Staples is expected to realize sales \$7.2 billion (a 38% increase over previous year's sales), and Office Depot is expected to increase sales by 34% to \$9 billion. Several reasons have been cited for Officemax's relatively lackluster performance. Officemax is unable to extract as much sales/square foot as do its competitors because of poor name recognition and poor/inexperienced management. Furthermore, Officemax has had trouble in matching the efficiency of its competitors' supply/inventory logistics.

One can infer much about the retail office supply industry and the attendant Five Forces from this article. **(1) Barriers to Entry** seem moderate. Six barriers seem most prominent in inhibiting entry. First, economies of scale (spreading costs over increasing size of operations) are important to successfully compete on price with incumbents. Scale efficiencies will decrease unit costs, allowing firms to pass savings on to customers. Entrants not able to match incumbents' prices will be at a disadvantage upon entry. Relatedly, inventory efficiencies used to further reduce costs and, consequently, pass savings onto customers will be necessary for entry. Third, entrants will need to rapidly establish a reputation for quality service. As is demonstrated by OfficeMax, failure to do so will eat into profits and may reduce the success of entry. Managerial experience is also necessary for successful entrants. The article points to a significant learning curve effect. As such, entrants whose managers have little industry experience will have higher probabilities of industry failure. Fifth, availability of financial capital may restrict entry. To establish economies of scale, reputation, etc. entrants will have to rapidly build/establish multiple outlets, and an effective distribution system to stock these outlets. Poor capital availability will obviously inhibit such action. Finally, entrants will

have to establish favorable relationships with suppliers to insure adequate supply of inventory as well as the receipt of bulk purchase discounts from these suppliers. The **(2) Threat of Buyers** seems moderate to high. The industry sells commodity products that are available through many different avenues (Wal-Mart, mail order, etc). Buyer switching costs, therefore, seem relatively low. Convenience and location of industry stores, however, may reduce this threat. Relatedly, there is a moderate threat of **(3) substitutes** as customers can shop via internet or at discount stores for much (but not all) of the same products. The **(4) threat of suppliers** is mixed. For highly commodity-type products (e.g. paper clips, pens), bulk buying by the industry may reduce supplier power. For more differentiated products (high end computers), the suppliers brand name may increase supplier power. Finally, **(5) rivalry** among incumbents seems relatively high. Although industry profits are growing, the final product (office supplies) is relatively undifferentiated.

This industry shares many similarities with but has some differences when compared to the soft-drink industry. Like the office supply industry, the soft drink industry is fairly **competitive**. However, unlike the office supply industry whose products appears to be largely undifferentiated, Coke and Pepsi appear to have differentiated their products from each other, and especially from the other cola producers. Reputation among customers for soft drink purchases seems to be critical. As such, effective distribution and delivery logistics are critical for success in the soft drink industry as is advertising. Also, capital costs in office products is relatively high (e.g., stores, distribution centers) but somewhat less so for concentrate producers. However, economies of scale seem high, and exit costs are large leading one to conclude that high **entry barriers** exist in this industry. Also, commoditization of the office product points to low switching costs (high buyer power) for customers in that industry but perhaps higher switching costs (due to brand recognition) in the soft drink industry (lower **buyer power**). **Substitute products** (fax, email, phone) have some power. **Supplier power** in the office products industry is difficult to gauge.