



CALUNIVERSITY

MGT 545

**Strategic Management and
Competitive Globalization**

STUDY GUIDE

**Textbook: *Strategic Management and Competitive Advantage:
Concepts, 4/E***

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TABLE OF CONTENTS

Please Note: Some chapters of the textbook may not be included in the Study Guide. The content of the excluded chapters is not within the scope of the course objectives. Student/learners are encouraged to read all textbook chapters as supplementary reading.

Contents

TABLE OF CONTENTS.....	2
HOW TO USE THIS GUIDE.....	7
Course Overview	8
MGT 545: Strategic Management and Competitive Globalization.....	8
Course Description:.....	8
Course Objectives:	8
Learning Outcomes (LO):	8
UNIT ONE	9
Chapters & Learning Outcomes	9
UNIT ONE LEARNING OUTCOMES.....	9
CHAPTER ONE	10
What is Strategy and the Strategic Management Process?.....	10
KEY LEARNING POINTS.....	10
What You Will Learn	10
Activities.....	14
Chapter One Practice Exam:	14
Week One Discussion Question (Chapter One):.....	14
CHAPTER TWO	15
Evaluating a Firm’s External Environment	15
KEY LEARNING POINTS.....	15
What You Will Learn	15
Activities.....	20
Chapter Two Practice Exam:	20
Week One Discussion Questions (Chapter Two):	20

CHAPTER THREE	21
Evaluating a Firm’s Internal Capabilities	21
KEY LEARNING POINTS	21
What You Will Learn	21
Activities.....	26
Chapter Three Practice Exam:.....	26
Week One Discussion Questions (Chapter Three):.....	26
UNIT ONE ASSIGNMENTS.....	27
Unit One Exam	27
Unit One Case Study	27
UNIT TWO	29
Chapters & Learning Outcomes	29
UNIT TWO LEARNING OUTCOMES.....	29
CHAPTER FOUR	30
Cost Leadership.....	30
KEY LEARNING POINTS.....	30
What You Will Learn	30
Activities.....	34
Chapter Four Practice Exam:.....	34
Week Two Discussion Questions (Chapter Four):.....	34
CHAPTER FIVE	35
Product Differentiation	35
KEY LEARNING POINTS.....	35
What You Will Learn	35
Activities.....	39
Chapter Five Practice Exam:.....	39
Week Two Discussion Questions (Chapter Five):.....	39
UNIT TWO ASSIGNMENTS.....	40
Unit Two Exam	40
Unit Two Case Study	40
UNIT THREE	42
Chapters & Learning Outcomes	42

UNIT THREE LEARNING OUTCOMES	42
CHAPTER SIX.....	43
Vertical Integration	43
KEY LEARNING POINTS.....	43
What You Will Learn	43
Activities.....	47
Chapter Six Practice Exam:.....	47
Week Three Discussion Questions (Chapter Six):	47
CHAPTER SEVEN	48
Corporate Diversification	48
KEY LEARNING POINTS.....	48
What You Will Learn	48
Activities.....	52
Chapter Seven Practice Exam:	52
Week Three Discussion Questions (Chapter Seven):	52
UNIT THREE ASSIGNMENTS	53
Unit Three Exam.....	53
Unit Three Case Study.....	53
UNIT FOUR	55
Chapters & Learning Outcomes	55
UNIT FOUR LEARNING OUTCOMES.....	55
CHAPTER EIGHT.....	56
Organizing to Implement Corporate Diversification.....	56
KEY LEARNING POINTS.....	56
What You Will Learn	56
Activities.....	60
Chapter Eight Practice Exam:.....	60
Week Four Discussion Questions (Chapter Eight):	60
CHAPTER NINE	61
Strategic Alliances	61
KEY LEARNING POINTS.....	61
What You Will Learn	61

Activities.....	64
Chapter Nine Practice Exam:	64
Week Four Discussion Questions (Chapter Nine):	64
UNIT FOUR ASSIGNMENTS.....	65
Unit Four Exam.....	65
Unit Four Case Study.....	65
UNIT FIVE	67
Chapters & Learning Outcomes	67
UNIT FIVE LEARNING OUTCOMES.....	67
CHAPTER TEN	68
Mergers and Acquisitions	68
KEY LEARNING POINTS.....	68
What You Will Learn	68
Activities.....	72
Chapter Ten Practice Exam:	72
Week Five Discussion Questions (Chapter Ten):	72
CHAPTER ELEVEN	73
International Strategies	73
KEY LEARNING POINTS.....	73
Activities.....	77
Chapter Eleven Practice Exam:	77
Week Five Discussion Questions (Chapter Eleven):.....	77
UNIT FIVE ASSIGNMENTS.....	78
Unit Five Exam	78
Unit Five Case Study.....	78
UNIT SIX.....	79
Activities.....	79
Week 6 Discussion Question:.....	79
End of Course Survey	79
UNIT SIX ASSIGNMENTS	80
Final Exam:	80
Week 6 Project:.....	80

COURSE PRESENTATION 81

HOW TO USE THIS GUIDE

Dear CalUniversity Student/learner:

This Study Guide is intended to facilitate understanding of key learning points found in the textbook. Read this guide as you go through each unit of your course. Reflect on the 'Ask Yourself' questions as a **TRA** (Transfer, Retention, and Application) method. The guide is organized as follows:

- An overview of learning objectives
- Key learning points of each chapter
- Chapter Practice Exams (If provided)
- Weekly Discussion Questions
- Unit Exams
- Unit Case Studies
- Week 6 Discussion Question
- End of Class Survey
- Final Exam
- Week 6 Project

This guide is not a substitute for the textbook. The Summary at the end of each Chapter of the textbook highlights the learning points for each chapter and must be read.

You must read the Syllabus and other documents posted in the Course Document folder of your Course Room so you will understand how to maximize learning and earn the desired grade.

Please do not hesitate to contact your course instructor if you have any questions.

Office of Academic Affairs
California InterContinental University

Course Overview

MGT 545: Strategic Management and Competitive Globalization

Course Description:

This course focuses on the application of conceptual models that underline interactions related to external competition, firm positioning, patterns of technological and market change, and the nature and development of internal firm capabilities. Students are required to develop a set of tools and methodologies essential for the formulation and management of a winning technology strategy.

Course Objectives:

The objectives of the course are to:

- Develop analytical skills in applying strategic management concepts to organizations
- Increase the sustainability of the company in the global market.

Learning Outcomes (LO):

At the end of the course, student/learners will be able to:

- LO 1. Explain the role of strategy and a firm's strategic management process in competitive advantage.
- LO 2. Measure competitive advantage using economic and accounting performance measures.
- LO 3. Evaluate a firm's external environment with both the S-C-P model and the five forces framework.
- LO 4. Describe four generic industry structures and the specific strategic opportunities found in each one.
- LO 5. Evaluate a firm's internal capabilities using the Resource Based View, the VRIO framework, and value chain analysis.
- LO 6. Implement a valuable, effective, and sustained cost leadership strategy.
- LO 7. Implement a valuable, effective, and sustained product differentiation strategy.
- LO 8. Implement a valuable, effective, and sustained vertical integration strategy.
- LO 9. Implement a valuable, effective, and sustained corporate diversification strategy.
- LO 10. Describe the function of the M-form, or multidivisional, structure.
- LO 11. Create and utilize effective and valuable strategic alliances.
- LO 12. Describe how and why firms might use mergers and acquisitions to accomplish their goals.

LO 13. Implement a valuable, effective, and sustained international strategy.

UNIT ONE

Chapters & Learning Outcomes

The key points of the following chapters (see textbook) will be discussed in this Unit:

- Chapter One
What is Strategy and the Strategic Management Process? pages 2 to 27
- Chapter Two
Evaluating a Firm's External Environment pages 28 to 62
- Chapter Three
Evaluating a Firm's Internal Capabilities pages 70 to 96

UNIT ONE LEARNING OUTCOMES

This Unit meets the following learning outcomes:

- LO 1. Explain the role of strategy and a firm's strategic management process in competitive advantage.
- LO 2. Measure competitive advantage using economic and accounting performance measures.
- LO 3. Evaluate a firm's external environment with both the S-C-P model and the five forces framework.
- LO 4. Describe four generic industry structures and the specific strategic opportunities found in each one.
- LO 5. Evaluate a firm's internal capabilities using the Resource Based View, the VRIO framework, and value chain analysis.

CHAPTER ONE

What is Strategy and the Strategic Management Process?

KEY LEARNING POINTS

What You Will Learn

The key learning points in this chapter are:

- Learning about the role of strategy and a firm's strategic management process in competitive advantage.
- Understanding how to measure competitive advantage using economic and accounting performance measures.

The chapter begins with an **Opening Case: The Music Download Industry** on **pages 2 and 3**.

STRATEGY AND THE STRATEGIC MANAGEMENT PROCESS (Pages 4 to 10)

Read this section to better understand the role of a firm's **strategy (page 4)**, and its strategic management process, in its performance.

Page 4 focuses on **Defining Strategy**. Strategy is a "theory about how to gain competitive advantages." (**Page 4**)

Ask yourself: What is my firm's strategy?

Pages 4 to 10 discuss **The Strategic Management Process**. The **strategic management process (page 4)** is how a series of steps, undertaken by a firm, increase the likelihood that a firm will implement a successful strategy and, in turn, generate competitive advantages.

Make sure you read this section and are familiar with each of the following steps in the strategic management process. These steps are also illustrated in **Figure 1.1 (page 5)**.

- **A Firm's Mission* (Pages 4 to 8)**
 - A firm's long-term purpose is known as its **mission (page 4)**. When written down, this is called a **mission statement (page 5)**. Also see the example mission statements in **Table 1.1 (pages 6 to 7)**.

- You should be familiar with how *Some Missions May Not Affect Firm Performance* (page 5), how *Some Missions Can Improve Firm Performance* (pages 5 to 7), and how *Some Missions Can Hurt Firm Performance* (page 7 to 8).
- Make sure you also understand what it means to be a **visionary firm** (page 5). Some examples of visionary firms are shown in **Table 1.3** (page 7).
- **Objectives* (Page 8)**
 - See **Table 1.3** (page 9) to see how 3M uses specific **objectives** in its mission statement.
- **External Analysis* and Internal Analysis* (Page 8)**
- **Strategic Choice**
 - These choices fall into two categories: **Business-level strategies** (page 9) and **Corporate-level strategies** (page 9). Both, including the different strategies they cover, will be discussed in more detail in the coming weeks.
- **Strategy Implementation***

*Also key terms.

Ask yourself: What is my firm’s mission? What is our mission statement?

WHAT IS COMPETITIVE ADVANTAGE? (Pages 10 to 13)

A firm has a **competitive advantage** “when it is able to create more **economic value** (page 10) than rival firms.” (Page 10) Read the text and compare the competitive advantages of the two firms illustrated in **Figure 1.2** (page 11) to better understand this concept.

Make sure you understand the difference between **temporary competitive advantage** (page 11) and **sustained competitive advantage** (page 11). You should also be familiar with **competitive parity** (page 11) and what it means to have a **competitive disadvantage** (page 11). All of these types of competitive advantage are illustrated in **Figure 1.3** (page 12).

Ask yourself: What is a competitive advantage that my firm has? Is this advantage temporary or sustained?

Read **Research Made Relevant**, on page 12, and **ask yourself:** *How Sustainable Are Competitive Advantages?*

THE STRATEGIC MANGEMENT PROCESS, REVISTED (Page 13)

Examine the organizing framework in **Figure 1.4** (page 13) that will be used throughout the text.

MEASURING COMPETITIVE ADVANTAGES (Pages 13 to 20)

Read this section to better understand the following two approaches to measuring a firm’s competitive advantage:

- **Accounting Measure of Competitive Advantage (Pages 13 to 16)**

- One way to measure a firm's **accounting performance (page 13)** is through **accounting ratios (page 15)**. Make sure you read this section and are familiar with each of the following four ratio categories. Common ratios in each of these categories are shown in **Table 1.4 (pages 14 to 15)**.
 1. **profitability ratios (page 15)**
 2. **liquidity ratios (page 15)**
 3. **leverage ratios (page 15)**
 4. **activity ratios (page 15)**
- When using ratio analysis, a firm's ratios are compared to an average ratios of firms in the same industry. A firm can earn either **above average accounting performance (page 15)**, **average accounting performance (page 15)**, or **below average accounting performance (page 15)**. Make sure you understand each.
- Read the example in the text, on **pages 15 to 16**, about Apple Computers and consider the information in **Table 1.5 (page 16)** and **Table 1.6 (page 16)** to better understand the use of accounting ratios and measuring a firm's accounting performance.

Ask yourself: How accurate do I think the accounting performance approach is for measuring a firm's competitive advantage?

- **Economic Measures of Competitive Advantage (Pages 17 to 19)**

- You should be familiar with the advantage of using accounting measures of competitive advantage as well as its one big limitation, concerning the exclusion of the **cost of capital (page 17)** in its calculations.
- **Economic measures of competitive advantage (page 17)** compare a firm's return with its cost of capital. Make sure you understand how this differs from the accounting measures approach.
- You should be familiar with the two categories of capital sources: **debt (page 17)** and **equity (page 18)**.
- Make sure you understand how to calculate each of the following for a firm: **cost of debt (page 17)**, **cost of equity (page 17)**, and **weighted average cost of capital (WACC) (page 17)**. (Read *Strategy in Depth*, on **page 18**, to better understands *Estimating a Firm's Weighted Average Cost of Capital*.)
- You should also know the difference between firms that are earning **above normal economic performance (page 17)**, **normal economic performance (page 17)**, or **below normal economic performance (page 17)**.
- Read about the advantages and limitations of this approach on **page 19**. Make sure you are also familiar with what it means for a firm to be **privately held (page 19)**. (Read *Ethics and Strategy*, on **page 21**, to understand the debate surrounding *Stockholders Versus Stakeholders* and **ask yourself:** which side am I on? You should also be familiar with the term: *residual claimants*.)

Ask yourself: How accurate do I think the economic approach is for measuring a firm's competitive advantage?

Page 19 discusses **The Relationship Between Economic and Accounting Performance Measures**. Read this section, and examine **Figure 1.5 (page 19)**, to better understand the relationship between a firm's competitive advantage and its economic and accounting performance.

EMERGENT VERSUS INTENDED STRATEGIES (Pages 20 to 23)

Read this section to better understand **emergent strategies (page 20)**. Emergent strategies come out over time and often vary dramatically from a firm's initial strategy. The relationship between these strategies and a firm's intended strategies is illustrated in **Figure 1.6 (page 20)**.

Also read *Strategy in the Emerging Enterprise*, on **page 22**, to better understand *Emergent Strategies and Entrepreneurship*.

The three reasons **WHY YOU NEED TO KNOW ABOUT STRATEGY** are discussed on **pages 23 to 24**. Make sure you read this section and **ask yourself**: How can learning about strategy help my firm and me?

Activities

Chapter One Practice Exam (If provided)

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week One section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week One Discussion Question (Chapter One):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situations. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instructions: Using the chapter's key learning points, provide your answer to the questions below.

Two different approaches for measuring a firm's competitive advantage are discussed in the text. Explain each approach, the differences between the two, and their individual advantages and limitations. Include a brief argument for the approach you think is most effective and why?

CHAPTER TWO

Evaluating a Firm's External Environment

KEY LEARNING POINTS

What You Will Learn

The key learning points in this chapter are:

- Understanding how to evaluate a firm's external environment with both the S-C-P model and the five forces framework.
- Learning about the four generic industry structures and the specific strategic opportunities found in each one.

The chapter begins with an **Opening Case: Competing College?** on **pages 28 to 29**.

This chapter discusses the tools managers can use to complete a systematic external analysis of the threats and opportunities in a firm's competitive environment.

UNDERSTANDING A FIRM'S GENERAL ENVIRONMENT (Pages 30 to 33)

This section discusses the six elements that make up a firm's **general environment (page 30)**. These elements are:

- **Technological change (page 31)**
- Demographic trends (see **Demographics (page 31)**)
- Cultural trends (see **Culture (page 32)**)
- The **economic climate (page 32)**
 - Make sure you are also familiar with the key terms: **recession (page 32)**, **depression (page 32)**, and **business cycle (page 32)**.
- **Legal and political conditions (page 32)**
- **Specific international events (page 33)**

Make sure you read this section and understand each of these elements and how they constitute a firm's general environment. These six elements are also illustrated in **Figure 2.1** on **page 30**.

Ask yourself: Using these six elements as a guide, what are some of the specific factors that define my firm's general environment?

THE STRUCTURE-CONDUCT-PERFORMANCE MODEL OF FIRM PERFORMANCE (Pages 33 to 35)

Read this section to better understand the use of the **structure-conduct-performance (S-C-P) model (page 34)**. This model is illustrated in **Figure 2.2 on page 35**. You should be familiar with the definitions of each of its three parts: **structure (page 34)**, **conduct (page 35)**, and **performance (page 36)**. Take note of *performance*'s two meanings, both are important.

Read ***Ethics and Strategy***, on **page 34**, and **ask yourself: *Is a Firm Gaining a Competitive Advantage Good for Society?***

THE FIVE FORCES MODEL OF ENVIRONMENTAL THREATS (Pages 35 to 50)

Read this section to better understand the **five forces model (page 35)**. This model “identifies the five most common threats faced by firms in their local competitive environments and the conditions under which these threat are more or less likely to be present.” (**Pages 35 to 36**)

Make sure you are familiar with the following five common **environmental threats (page 36)**, also illustrated in **Figure 2-3 (page 36)**:

- **The Threat of Entry (Pages 36 to 42)**
 - Read this section and make sure you understand the impact of **new entrants (page 37)** as well as **barriers to entry (page 38)**. The four barriers to entry, as discussed in the text and shown in **Table 2.1 on page 38**, are:
 - **Economies of scale (page 38)**
 - Read **Economies of Scale as a Barrier to Entry (pages 38 to 39)** to better understand this barrier.
 - Make sure you also see **Figure 2.4 (page 38)** to understand the relationship between economies of scale, **diseconomies of scale (page 38)**, and the volume of production by a firm.
 - **Product differentiation (page 40)**
 - Read **Product Differentiation as a Barrier to Entry (Page 40)** to better understand this barrier.
 - **Cost Advantages Independent of Scale as Barriers to Entry (Pages 40 to 42)**
 - This section discusses four sources of costs advantages, independent of scale, which can act as barriers to entry. Make sure you read this section and are familiar with each of the following sources, also shown in **Table 2.2 (page 41)**:
 - **Proprietary Technology (Page 40 to 41)**
 - **Managerial Know-How (Page 41 to 42)**
 - **Favorable Access to Raw Materials (Page 42)**
 - **Learning-curve Cost Advantages (Page 42)**
 - **Government Policy as a Barrier to Entry (Page 42)**

Ask yourself: Which barrier(s) to entry will most impact my firm and why?

- **The Threat of Rivalry (Pages 42 to 43)**
 - Read this section to better understand the environmental threat of **rivalry (page 42)**.

- **The Threat of Substitutes (Pages 43 to 44)**
 - Read this section to better understand the environmental threat of **substitutes (page 43)**.

- **The Threat of Powerful Suppliers (Pages 44 to 46)**
 - Read this section to better understand the environmental threat of **suppliers (page 44)**. You should be familiar with the five supplier attributes that can indicate high levels of threat, discussed in the text and listed in **Table 2.4 (page 44)**:
 - “Suppliers are a greater threat to firms:”
 1. *“...if the suppliers’ industry is dominated by a small number of firms.”*
 2. *“...when what they supply is unique or highly differentiated.”*
 3. *“...in an industry when suppliers are not threatened by substitutes.*
 4. *“...they can credibly threaten to enter into and begin competing in a firm’s industry.” [aka **forward vertical integration (page 45)**]*
 5. *“...when firms are not an important part of suppliers’ business.”*

- **The Threat of Powerful Buyers (Pages 46 to 47)**
 - Read this section to better understand the environmental threat of **buyers (page 46)**. You should be familiar with the five important indicators of the threat of buyers in an industry, discussed in the text and listed in **Table 2.5 (page 46)**:
 - “Buyers are likely to be more of a threat to firms:”
 1. *“...if a firm only has one buyer, or a small number of buyers.”*
 2. *“...if the products or services that are being sold to buyers are standard and not differentiated.”*
 3. *“...when the supplies they purchase are a significant portion of the costs of their final products.”*
 4. *“...when they are not earning significant economic profits.”*
 5. *“...in an industry when they have the ability to vertically integrate backward.”*

[Make sure you understand **backward vertical integration (page 47)**]

Ask yourself: Which environmental threat(s) most impact(s) my firm’s level of threat and why?

Read **Strategy in Depth: The Five Forces Framework and the S-C-P Model** on **page 37** to better understand the relationship between identified threats and the nature of competition in an industry.

Examine the **Table**, at the bottom of **page 37**, and make sure you are familiar with each of the four types of competition and how they are related to expected firm performance. The four competition types are: *perfect competition, monopolistic competition, oligopoly, and monopoly*. Make sure you also know how

these work when applied to industry definitions, all discussed on **page 37**: **perfectly competitive, monopolistically competitive industries, oligopolies, and monopolistic industries.**

Ask yourself: What type of competition is my firm engaged in?

Pages 47 to 49 discuss **The Five Forces Model and Average Industry Performance.** Make sure you read this section and understand the three important implications of the five forces model. Also examine **Figure 2.6 (page 47)** to better understand estimating the level of average performance in an industry using the five forces model.

Ask yourself: Using the same form as in **Table 2.6**, what would be my firm's level of average performance be?

Pages 48 to 50 discuss **Another Environmental Force: Complements.** Read this section to better understand the differences between a **competitor (page 48)** and a **complementor (page 48)**. You should also be familiar with the reasons why Professors Adam Brandenburger and Barry Nalebuff argue that *complementors* are another force that should be added to the five forces framework.

Read **Research Made Relevant (page 49)** to better understand *The Impact of Industry and Firm Characteristics on Firm Performance.*

INDUSTRY STRUCTURE AND ENVIRONMENTAL OPPORTUNITIES (Pages 50 to 59)

This section discusses how to use the same S-C-P logic to identify environmental opportunities. This opportunity analysis identifies different general industry structures and then describes the strategic opportunities found within them.

Read this section and make sure you are familiar with each of the following four common industry structures discussed in the text. These structures and their associated opportunities are also listed in **Table 1.2** on **page 50**.

1. Opportunities in Fragmented Industries: Consolidation (Pages 50 to 51)

- Read this section to better understand **fragmented industries (page 50)** and the advantages associated with implementing a **consolidation strategy (page 51)**.

2. Opportunities in Emerging Industries: First-Mover Advantage (Pages 51 to 53)

- Read this section to better understand **emerging industries (page 51)** and the opportunities presented to them that fall into the category of **first-mover advantages (page 51)**.
- You should be familiar with each of the following three primary sources of *first-mover advantages*:
 - **First-Mover Advantages and Technological Leadership (Page 52).**
 - Read this section to better understand implementing a **technological leadership strategy (page 52)**.
 - **First-Mover Advantages and Preemption of Strategically Valuable Assets (Page 52).**

- Read this section to better understand the value of **strategically valuable assets (page 52)**.
 - **First-Mover Advantages and Creating Customer-Switching Costs (Pages 52 to 53)**.
 - Read this section to better understand the benefits of instituting **customer-switching costs (page 53)**.
 - You should also read about the **First-Mover Disadvantages on Page 53**.
- 3. Opportunities in Mature Industries: Product Refinement, Service, and Process Innovation (Pages 53 to 56)**
- Read this section to better understand **mature Industries (page 51)**, their 6 common characteristics (**page 54**), and the following opportunities for firms within them:
 - **Refining Current Products (Page 54)**
 - **Emphasis on Service (Pages 54 to 56)**
 - **Process Innovation (Page 56)**
 - You should also know what a firm's **processes (page 56)** are and what **process innovation (page 56)** means.
- 4. Opportunities in Declining Industries: Leadership, Niche, Harvest, and Divestment (Pages 56 to 59)**
- Read this section to better understand **declining Industries (page 56)** and the potential opportunities for firms within them:
 - **Market Leadership (Pages 56 to 57)**
 - Read this section to better understand the benefit of becoming a **market leader (page 57)**.
 - **Market Niche (Page 57)**
 - Read this section to better understand the use of a **niche strategy (page 57)**.
 - **Harvest (Pages 57 to 58)**
 - Read this section to better understand the use of a **harvest strategy (page 57)**.
 - **Divestment (Page 58)**
 - Read this section to better understand the objective of **divestment**.

Read about growth at Microsoft in **Strategy in the Emerging Enterprise** on **page 55**.

Ask yourself: Which industry is my firm in? What are the potential opportunities for my firm within that industry?

Activities

Chapter Two Practice Exam (If provided)

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week One section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week One Discussion Questions (Chapter Two):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situation. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instructions: Using the chapter's key learning points, provide your answer to the question below.

Compare and contrast the strategic opportunities found in the four generic industry types discussed in the text. Include a brief description of each industry and its common characteristics in your answer.

CHAPTER THREE

Evaluating a Firm's Internal Capabilities

KEY LEARNING POINTS

What You Will Learn

The key learning point of this chapter is:

- Understanding how to evaluate a firm's internal capabilities using the Resource Based View, the VRIO framework, and value chain analysis.

The chapter begins with an **Opening Case**: Has eBay Lost Its Way?

THE RESOURCE-BASED VIEW OF THE FIRM (Pages 66 to 67)

This chapter focuses on the **resource-based view (RBV) (page 66)**, as opposed to the S-C-P model. According to the text, the RBV is “a model of firm performance that focuses on the resources and capabilities controlled by a firm as sources of competitive advantage.” (Page 66)

Pages 66 to 67 discuss **What Are Resources and Capabilities?** Make sure you read this section and are familiar with the definitions of both **resources (page 67)** and **capabilities (page 67)**.

You should also be familiar with the following four classifications of resources: (1) **financial resources (page 66)**, (2) **retained earnings (page 66)**, (3) **human resources (page 67)**, and (4) **organizational resources (page 67)**.

Additionally, you should know what **retained earnings (page 66)** are.

Ask yourself: What are my firm's resources and capabilities?

Page 67 also discusses **Critical Assumptions of the Resource-Based View**. Read this section and make sure you are familiar with the following two fundamental assumptions that RBV rests on: **resource heterogeneity (page 67)** and **resource immobility (page 67)**.

Read **Strategy in Depth**, on **pages 68 and 69**, and examine Ricardian's argument in **Figure 3.1 (page 69)**, to better understand Ricardian Economics and the Resource-Based-View. You should be familiar with the term **inelastic in supply**, discussed on **page 68**.

THE VRIO FRAMEWORK (Pages 68 to 83)

This section discusses the primary tool for evaluating a firm’s internal strengths and weaknesses: **the VRIO framework (page 68)**. VRIO stands for the “four questions one must ask about a resource or capability to determine its competitive potential.” Make sure you are familiar with each of these four questions, listed in **Table 3.1 (page 70)**, and discussed below.

- **The Question of Value (Pages 69 to 75)**
 - Read this section to better understand the **question of value**: “Do resources and capabilities enable a firm to exploit an external opportunity or neutralize and external threat?” **(Page 69)**
 - With your firm in mind, **ask yourself** the question of value.
 - **Page 70** discusses **Valuable Resources and Firm Performance**.
 - Read about **Applying the Question of Value** on **pages 70 to 72**
 - **Pages 72 to 75** discuss **Using Value-Chain Analysis to Identify Potentially Valuable Resources and Capabilities**.
 - Read this section to better understand how a firm’s **value chain (page 72)** can help identify potentially valuable resources and capabilities.
 - Look at the example of a simplified value chain in **Figure 3.2 (page 72)**.
 - Examine the two generic value chains proposals in **Figure 3.3 (page 74)** and **Figure 3.4 (page 75)**.

Read **Strategy in the Emerging Enterprise (page 71)** to better understand the use of business plans **(page 71)** and **ask yourself**: *Are Business Plans Good for Entrepreneurs?*

Read **Ethics and Strategy (page 73)** to better understand *Externalities and the Broader Consequences of Profit Maximization*.

- **The Question of Rarity (Pages 75 to 76)**
 - Read this section to better understand the **question of rarity**: “How many competing firms already possess particular valuable resources and capabilities?” **(Page 75)**
 - With your firm in mind, **ask yourself** the question of rarity.

- **The Question of Imitability (Pages 76 to 81)**
 - Read this section to better understand the **question of imitability**: “Do firms without a resource or capability face a cost disadvantage in obtaining or developing it compared to firms that already possess it?” **(Page 76)**
 - With your firm in mind, **ask yourself** the question of imitability.
 - Make sure you understand how a competing firm’s resources, in this instance, are **imperfectly imitable (page 76)**.
 - You should also be familiar with how a firm gains a **sustained competitive advantage (page 77)**.
 - **Page 77** discusses the two **Forms of Imitation: Direct Duplication and Substitution**. Read about **direct duplication (page 77)** and **substitution (page 77)**.
 - Read about **Why Might it be Costly to Imitate Another Firm’s Resources or Capabilities** on **pages 77 to 81**. You should be familiar with the following four sources of costly imitation, discussed in the text and summarized in **Table 3.2 (page**

78):

- *Unique Historical Conditions* (Pages 77 to 79)
 - *Casual Ambiguity* (Pages 79 to 80)
 - *Social Complexity* (Pages 80 to 81)
 - *Patents* (Page 81)
- You should also be familiar with the following key terms from this section: **path dependence** (page 78), **casually ambiguous** (page 79), and **socially complex** (page 80).
- **The Question of Organization** (Pages 81 to 83)
 - Read this section to better understand the **question of organization**: “Is a firm organized to exploit the full competitive potential of its resources and capabilities?” (Page 81)
 - With your firm in mind, **ask yourself** the question of rarity.
 - You should be familiar with each of the following components that are relevant to the question of organization (collectively called a firm’s **complementary resources and capabilities**). These are all discussed on **page 81**: **formal reporting structure** (usually embodied in a firm’s **organizational chart**), **management control systems** (including **formal management controls** and **informal management controls**), and **compensation policies**.

Read ***Research Made Relevant*** on **page 82** to better understand *Strategic Human Resource Management Research*.

APPLYING THE VRIO FRAMEWORK (Pages 83 to 87)

Read this section to better understand bringing together the four questions of **Value**, **Rarity**, **Imitability**, and **Organization**, into a single framework—the VRIO framework—to understand the potential return on exploiting any of a firm’s capabilities or resources. Shown in **Table 3.3** on **page 84**.

Read this section and make sure you are familiar with the following two types of resources or capabilities: **distinctive competence** (page 84) and **sustainable distinctive competencies** (page 85).

Examine the relationship between the VRIO framework and organizational strengths and weaknesses in **Table 3.4** on **page 84**.

Read **Applying the VRIO Framework to Southwest Airlines**, on **pages 85 to 87**, including ***Southwest’s Operational Choices and Competitive Advantage*** and ***Southwest’s People-Management and Competitive Advantage***, to see how the VRIO framework can be applied in real strategic situations.

Ask yourself: How can the VRIO framework be applied to my company?

IMITATION AND COMPETITIVE DYNAMICS IN AN INDUSTRY (Pages 87 to 91)

This section discusses how firm's approach another firm's competitive advantages. Decisions made by other firms, based on the choices of a particular firm, define the **competitive dynamics (page 87)** in an industry.

Ask yourself: What are the competitive dynamics in my firm's industry?

Read this section and make sure you are familiar with the following three approaches to responding to another firm's competitive advantage:

- **Not Responding to Another Firm's Competitive Advantage (Pages 87 to 89)**
 - Read this section and make sure you understand the three reasons why a firm might not respond to another firm's competitive advantage.
 - Read about **tacit cooperation (page 87)** and the four attributes of industry structure that facilitate its development. These four attributes are also shown in **Table 3.5 (page 89)**.
 - You should also be familiar with **tacit collusion (page 87)**.
- **Changing Tactics in Response to Another Firm's Competitive Advantage (Pages 89 to 90)**
 - Read this section to better understand **tactics (page 89)** and how a firm can change its tactics, develop new tactics, or imitate the competing firm's tactics to respond to their competitive advantage.
- **Changing Strategies in Response to Another Firm's Competitive Advantage (Pages 90 to 91)**
 - This section discusses why a firm might consider changing their strategies and the difficulties associated with that decision.

Ask yourself: Which approach would I suggest for my firm?

IMPLICATIONS OF THE RESOURCE-BASED VIEW (Pages 91 to 95)

Read this section and make sure you are familiar with the following five broader implications of the RBV:

- **Where does the Responsibility for Competitive Advantage in a Firm Reside? (Page 92)**
 - This responsibility falls on every employee in a company.
- **Competitive Parity and Competitive Advantage (Pages 92 to 93)**
 - A firm should exploit its own valuable, rare, and costly-to-imitate resources rather than imitate a competitor's resources.
- **Difficult-to-Implement Strategies (Pages 93 to 94)**
 - Relative costs are more important than the absolute cost.
 - Firms should not overestimate or underestimate their uniqueness.
- **Socially Complex Resources (Page 94)**
 - Employee empowerment, organizational culture, and teamwork can be competitive advantages.
- **The Role of Organization (Pages 94 to 95)**
 - The organization should support the firm's efforts to exploit valuable, rare, and costly-to-imitate

These implications are also listed in **Table 3.6** on **page 91**.

Ask yourself: What can my firm learn from these implications?

Activities

Chapter Three Practice Exam (If provided):

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week One section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week One Discussion Questions (Chapter Three):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situation. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instructions: Using the chapter's key learning points, provide your answer to the question below.

Explain how you would apply the VRIO framework to your company. Your answer should include an explanation of each of VRIO's four questions.

UNIT ONE ASSIGNMENTS

Unit One Exam

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week One section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Unit One Case Study

For this case study you may select a company of your own choosing from the pharmaceutical or textile industries and respond to the following questions:

- a. Examine the corporate Web site for your selected company and determine if the strategies pursued by this firm were emergent, deliberate, or both emergent and deliberate. Justify your answer with facts from the Web site. [Ch 1 Problem Set Question #6 (page 27)]
 - b. Perform a five forces analysis on your selected industry. [Ch 2 Problem Set Question #1 (page 61)]
 - c. Explain how you would use the VRIO framework to construct the cash-flow analysis that is a part of any present-value calculation. [Ch 3 Problem Set Question #3 (page 98)]
2. Write a 3 to 5 page paper (1000 to 1500 words) in APA format in response to the three questions.
Below is a recommended outline.
3. Cover page (See APA Sample paper)
 4. Introduction
 - a. A thesis statement
 - b. Purpose of paper
 - c. Overview of paper
 5. Body (Cite sources with in-text citations.)
 - a. Examine the corporate Web site for your selected company and determine if the strategies pursued by this firm were emergent, deliberate, or both emergent and deliberate. Justify your answer with facts from the Web site. [Ch 1 Problem Set Question #7 (page 27)]
 - b. Perform a five forces analysis on your selected industry. [Ch 2 Problem Set Question #1 (page 61)]
 - c. Explain how you would use the VRIO framework to construct the cash-flow analysis that is a part of any present-value calculation. [Ch 3 Problem Set Question #3 (page 98)]

6. Conclusion – Summary of main points
 - a. Lessons Learned and Recommendations
7. References – List the references you cited in the text of your paper according to APA format.

(Note: Do not include references that are not cited in the text of your paper)

GRADING

Your instructor will provide a grading rubric to evaluate your paper. Please see the Instructor Syllabus and Policies for details.

UNIT TWO

Chapters & Learning Outcomes

The key points of the following chapters (see textbook) will be discussed in this Unit:

- Chapter Four
Cost Leadership pages 102 to 129
- Chapter Five
Product Differentiation pages 130 to 160

UNIT TWO LEARNING OUTCOMES

This Unit meets the following learning outcomes:

- LO 6. Implement a valuable, effective, and sustained cost leadership strategy.
- LO 7. Implement a valuable, effective, and sustained product differentiation strategy.

CHAPTER FOUR

Cost Leadership

KEY LEARNING POINTS

What You Will Learn

The key learning point of this chapter is:

- Understanding how to implement a valuable, effective, and sustained cost leadership strategy.

Read the **Opening Case: The World's Lowest Cost Airline** on **pages 102 to 103**.

WHAT IS BUSINESS-LEVEL STRATEGY? (Page 104)

This section discusses the two categories of strategic choice: **business-level strategies (page 104)** and **corporate-level strategies (page 104)**. Make sure you are familiar with each. There are two types of business level strategies: cost leadership (discussed in this chapter) and product differentiation (discussed in Chapter 5). These two strategies are both known as **generic business strategies (page 104)**.

WHAT IS COST LEADERSHIP? (Pages 104 to 112)

This section discusses the **cost leadership business strategy (page 104)**. A firm that is employing this strategy “focuses on gaining advantages by reducing its costs below those of all its competitors.” (**Page 104**)

Pages 104 to 112 discuss the **Sources of Cost Advantages**. Read this section and make sure you are familiar with each of the following six important sources of cost advantage. These six sources are also listed in **Table 4.1 (page 105)**.

1. *Size Differences and Economies of Scale* (Pages 105 to 108)

Read this section to better understand the concept of **economies of scale**, discussed in the text on **page 105** and illustrated in **Figure 4.1 (page 105)**. You should also read about the concept of **diseconomies of scale (page 105)**, discussed more on **pages 107 and 108**.

Make sure you are familiar with each of the following reasons why increasing a firm's volume of production can reduce a firm's cost. These reasons are also shown in **Table 4.2 (Page 106)**.

- *Volume of Production and Specialized Machines* (**Pages 105 to 106**)

- *Volume of Production and the Cost of Plant and Equipment (Page 106)*
- *Volume of Production and Employee Specialization (Pages 106 to 107)*
- *Volume of Production and Overhead Costs (Page 107)*

A key term you should also know from this section is **process manufacturing (page 106)**.

Ask yourself: How could my firm gain this cost advantage?

2. *Size Differences and Diseconomies of Scale (Page 107 to 108)*

Read this section and make sure you are familiar with each of the following major sources of diseconomies of scale for a firm. These sources are also shown in **Table 4.3 (Page 107)**.

- *Physical Limits to Efficient Size (Page 107)*
- *Managerial Diseconomies (Pages 107 to 108)*
- *Worker De-Motivation (Page 108)*
- *Distance to Markets and Suppliers (Page 108)*

Ask yourself: Describe a situation where could my firm gain this cost advantage?

3. *Experience Differences and Learning-Curve Economies (Pages 108 to 110)*

Read this section to better understand the concept of the **learning curve**, discussed on **page 108** and illustrated in **Figure 4.2 (page 109)**.

- Read *The Learning Curve and Economies of Scale (Pages 108 to 109)* to better understand the two important differences between the learning curve and the concept of economies of scale.
- Read *The Learning Curve and Cost Advantages (Pages 109)*
- Read *The Learning Curve and Competitive Advantage (Pages 109 to 110)*. You should be familiar with the two main criticism of the learning curve discussed in the text.

Read **Research Made Relevant**, on **page 111**, and **ask yourself:** How Valuable is Market share--Really?

4. *Differential Low-Cost Access to Productive Inputs (Page 110)*

Read this section to better understand the effect of differential low-cost access to **productive inputs (page 110)**.

5. *Technological Advantages Independent of Scale (Pages 111 to 112)*

Read this section to better understand how a firm can gain a cost advantage based on the different technologies they use. You should be familiar with both of these types of firm technology: **technological hardware (page 112)** and **technological software (page 112)**

Ask yourself: How could my firm gain this cost advantage?

6. **Policy Choices (Page 112)**

Read this section to better understand how a firm can gain a cost advantage by making choices about the products / services they sell, these are called **policy choices (page 112)**.

Read **Ethics and Strategy**, on **page 113**, to better understand how the search for low labor costs has lead some firms to take part in an international “*Race to the Bottom.*” **Ask yourself:** Are companies who purchase services from these illegal manufacturing operations also culpable, both legally and morally?

THE VALUE OF COST LEADERSHIP (Pages 113 by 116)

This section discusses how cost leadership can neutralize various external threats. Read this section and make sure you are familiar with how cost leadership can affect each of the following threats:

- **Cost Leadership and the Threat of Entry (Page 114)**
- **Cost Leadership and the Threat of Rivalry (Page 114)**
- **Cost Leadership and the Threat of Substitutes (Page 114)**
- **Cost Leadership and the Threat of Powerful Suppliers (Pages 114 to 116)**
- **Cost Leadership and the Threat of Powerful Buyers (Pages 116)**

Read *Strategy in Depth: The Economies of Cost Leadership*, on page 115, to better understand the specific economic consequences of cost leadership. Examine figure 4.3 (page 115) and make sure you are familiar with what it means for a firm to be a price taker (page 115).

COST LEADERSHIP AND SUSTAINED COMPETITIVE ADVANTAGE (Pages 116 to 121)

This section discusses how a firm will be able to implement a cost leadership strategy and maintain their leadership for a sustained competitive advantage. As discussed in Chapter 3, the way for a firm to sustain their competitive advantage, with a cost leadership competitive strategy, depends on their strategy being rare and costly to imitate.

- **The Rarity of Sources of Cost Advantage (Pages 116 to 118)**

Read this section to better understand the *Rare Sources of Cost Advantage* (Pages 116 to 117) and the *Less Rare Sources of Cost Advantage* (Pages 117 to 118). Table 4.4 on page 117 summarizes both.

- **The Imitability of Sources of Cost Advantage (Pages 118 to 121)**

Read this section to better understand the Easy-to-Duplicate Sources of Cost Advantage (Pages 118 to 119), the Bases of Cost Leadership That May Be Costly to Duplicate (Page 119 to 120), and the Costly-to-Duplicate Sources of Cost Advantage (Pages 120 to 121). Table 4.5 on page 118 summarizes all three. Make sure you are also familiar with the phenomenon known as escalation of commitment (page 119).

Also read about the Substitutes for Sources of Cost Advantage on page 121.

Read Strategy in the Emerging Enterprise, on page 122, to learn more about how The Oakland A's are Inventing a New Way to Play Competitive Baseball.

Ask yourself: What can my firm learn from this section to help us maintain a sustained competitive advantage?

ORGANIZING TO IMPLEMENT COST LEADERSHIP (Pages 123 to 126)

To implement a cost leadership strategy, firms must adopt an organizational structure, management controls, and compensation policies that all reinforce their cost leadership strategy. Read this section to better understand each of these:

- **Organizational Structure in Implementing Cost Leadership (Pages 123 to 125)**

This section discusses why firms adopt a **functional organizational structure (page 123)**, illustrated in **Figure 4.4 (page 124)**, when implementing a cost leadership strategy. In this structure, each major business function has a **functional manager (page 123)** that reports to the **chief executive officer (CEO) (page 123)**. Because of the CEO's "unitary" perspective, the functional structure is sometimes called the **U-form structure (page 123)**. Complicated structures, like **Matrix structures (page 124)**, are generally avoided when implanting a cost leadership strategy.

Ask yourself: Does my firm utilize a U-form organization structure? Why or why not?

Examine **Table 4.6 (page 123)** to better understand how firms can organize to realize the full potential of cost leadership strategies.

Pages 124 to 125 discuss the two main **Responsibilities of the CRO in a Functional Organization**. These two main responsibilities are: *Strategy Formulation (Pages 124 to 125)* and *Coordinating Functions for Strategy Implementation (Page 125)*. Make sure you are familiar with each.

Examine **Table 4.7 (Page 125)** to see a list of common misalignments between business functions and a cost leadership strategy.

- **Management Controls in Implementing Cost Leadership (Page 125 to 127)**
- **Compensation Policies and Implementing Cost Leadership Strategies (Page 126)**

Activities

Chapter Four Practice Exam (If provided):

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Two section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week Two Discussion Questions (Chapter Four):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situation. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instruction: Using the chapter's key learning points, provide your answer to the question below.

Describe the six sources of cost advantage discussed in the text. Include a brief example of each source in your answer.

CHAPTER FIVE

Product Differentiation

KEY LEARNING POINTS

Read the **Opening Case: Who is Victoria, and What is Her Secret?** on **pages 130 to 121** to better understand Victoria's Secret's product differentiation strategy.

What You Will Learn

The key learning point of this chapter is:

- Understanding how to implement a valuable, effective, and sustained product differentiation strategy.

WHAT IS PRODUCT DIFFERENTIATION (Pages 132 to 139)

This section discusses a business strategy known as product differentiation (page 132). A *product differentiation* strategy is when “firms attempt to gain a competitive advantage by increasing the perceived value of their products or services relative to the perceived value of other firms’ products or services.” (Page 132)

Bases of Product Differentiation (Pages 133 to 139)

Read this section to better understand the different actions (aka different bases) firm’s can take to influence customer perceptions that their products or services are unusable or valuable. Firms attempt to do this in three different ways, shown in Table 5.1 on page 133, and discussed in the text as follows. You should be familiar with each of the following:

- **Pages 133 to 135** discuss firms that attempt to create customer perceptions by ***Focusing on the Attributes of a Firm’s Products or Services (Pages 133 to 135)***. Make sure your read this section and understand how firms use each of the following:
 - *Product Features (Page 134)*
 - *Product Complexity (Page 134)*
 - *Timing of Product Introduction (Page 134)*
 - *Location (Pages 134 to 135)*
- **Pages 135 to 137** discuss firms that attempt to create customer perceptions by ***Focusing on the Relationship Between a Firm and Its Customers***. Make sure your read this section and understand how firms use each of the following:
 - *Product Customization (Pages 135 to 136)*

- *Consumer Marketing (Page 136)*
- *Reputation (Pages 136 to 137)*
- **Pages 137 to 138** discusses firms that attempt to create customer perceptions by ***Focusing on Links Within and Between Firms***. Make sure you read this section and understand how firms use each of the following:
 - *Linkages Between Functions (Page 137)*
 - *Links with Other Firms (Page 137)*
 - *Product Mix (Pages 137 to 138)*
 - *Distribution Channels (Page 138)*
 - *Service and Support (Page 138)*

Ask yourself: How can my firm use one or more of these bases to help differentiate its products?

Read **Research Made Relevant: Discovering the Bases of Product Differentiation** on **page 135** to better understand **hedonic prices (page 135)** and how the bases of product differentiation were discovered.

Some key terms you should also be familiar with from this section are: **reputation (page 136)** and **architectural competence (page 173)**.

Read about **Product Differentiation and Creativity** on **page 139**.

THE VALUE OF PRODUCT DIFFERENTIATION (Pages 139 to 149)

This section discusses why the bases of product differentiation must enable firms to neutralize their threats, or exploit their opportunities, to be valuable.

Read **Strategy in Depth: The Economics of Product Differentiation** on **pages 140 to 141** to better understand the market conditions under which product differentiation can be valuable. You should be familiar with the key term **monopolistic competition (page 140)**.

Pages 139 to 140 discuss **Product Differentiation and Environmental Threats**. Read this section to better understand how product differentiation can help a firm neutralize its environmental threats.

Pages 141 to 142 discuss **Product Differentiation and Environmental Opportunities**. Read this section to better understand how product differentiation can help a firm exploit its environmental opportunities.

Ask yourself: How can my firm use product differentiation to reduce its environmental threats or take advantage of its environmental opportunities?

PRODUCT DIFFERENTIATION AND SUSTAINED COMPETITIVE ADVANTAGE (Pages 142 to 149)

This section discusses how a firm will be able to implement a product differentiation strategy and maintain a sustained competitive advantage. As discussed in Chapter 3, the way for a firm to sustain

their competitive advantage depends on their on their rare and costly to imitate organizational strengths.

Pages 142 to 143 discuss **Rare Bases for Product Differentiation**.

Read *Ethics and Strategy*, **page 143**, to better understand the debate surrounding *Product Claims and the Ethical Dilemmas in Health Care*.

Pages 144 to 149 discuss **The Imitability of Product Differentiation**. You should be familiar with both of the following approaches (direct duplication and substitutes):

- **Direct Duplication of Product Differentiation (Pages 144 to 148)**
 - Read this section to better understand the *Bases of Product Differentiation That Are Easy to Duplicate (Page 144 to 145)*, the *Bases of Product Differentiation That May Be Costly to Duplicate (Pages 145 to 146)*, and the *Bases of Product Differentiation That Are Usually Costly to Duplicate (Pages 147 to 148)*.
 - **Table 5.2** on **page 145** summarizes all three.
- **Substitutes for Product Differentiation (Pages 148 to 149)**

ORGANIZING TO IMPLEMENT PRODUCT DIFFERENTIATION (Pages 149 to 157)

This section discusses how firms organize to implement their product differentiation strategies. According to the text on **page 149**, “Product differentiating firms are all about style.” A firm’s product differentiation strategy “must focus on innovation, creativity, and product performance.” (**Page 149**)

Ask yourself: How does implementing a product differentiation strategy differ from implementing a cost leadership strategy?

Examine **Table 5.3 (page 149)** to better understand how a firm organizes its structure, controls, and compensation policies to implement its product differentiation strategies or “need for style.”

Each of these three categories are further discussed in the text, make sure you are familiar with each of the following.

- **Organizational Structure and Implementing Product Differentiation (Page 150)**
- **Management Controls and implementing product Differentiation (Pages 150 to 153)**
- **Compensation Policies and Implementing Product Differentiation Strategies (Page 154)**

Some key terms you should be familiar with from this section: **matrix structure (page 150)**, **skunk works (page 150)**, and **policy of experimentation (page 153)**.

Read **Strategy in the Emerging Enterprise (page 154)** and examine **Table 5.4 (page 152)**. **Ask yourself:** Can Only Small Firms Be Innovative?

CAN FIRMS IMPLEMENT PRODUCT DIFFERENTIATION AND COST LEADERSHIP SIMULTANEOUSLY? (Pages 154 to 157)

Read this section to better understand the arguments on each side of this question.

No: These Strategies Cannot Be Implemented Simultaneously is discussed on **page 155**. Also examine **Table 5.5 (Page 155)**, which presents the contradictory organizational requirements of the two strategies. **Figure 5.2 (page 156)** also argues that neither strategy will do well when implemented together.

Yes: These Strategies Can Be Implemented Simultaneously is discussed on **pages 156 to 157**. Read this section and make sure you are familiar with the two processes that are reflected in the gained sustained competitive advantage: *Differentiation, Market Share, and Low-Cost Leadership (Page 156)* and *Managing Organizational Contradictions (Pages 156 to 157)*.

Ask yourself: Which argument do I agree with and why?

Activities

Chapter Five Practice Exam (If provided):

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Two section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week Two Discussion Questions (Chapter Five):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situation. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instructions: Using the chapter's key learning points, provide your answer to the question below.

Discuss the two sides of the argument surrounding whether or not firms can implement product differentiation and cost leadership simultaneously. Include a brief discussion of which side you think is right and why?

UNIT TWO ASSIGNMENTS

Unit Two Exam

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Two section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Unit Two Case Study

For this case study you will select a company of your choice and respond to the following questions:

- a. Discuss the two cost leadership approaches described in Question 4 and argue which of these approaches seems more reasonable for your firm. Describe the conditions that would make each approach make more or less sense. [Ch 4 Challenge Question #4 (page 128)]
- b. Assuming your firm is the firm you are advising, describe the advice you would give to them regarding their product differentiation and cost leadership advantage, as described in Question #6. [Ch Challenge Question #6 (page 159)]

1. Write a 3 to 5 page paper (1000 to 1500 words) in APA format in response to the questions. Below is a recommended outline.

2. Cover page (See APA Sample paper)
3. Introduction
 - a. A thesis statement
 - b. Purpose of paper
 - c. Overview of paper
4. Body (Cite sources with in-text citations.)
 - a. Discuss the two cost leadership approaches described in Question 4 and argue which of these approaches seems more reasonable for your firm. Describe the conditions that would make each approach make more or less sense. [Ch 4 Challenge Question #4 (page 128)]
 - b. Assuming your firm is the firm you are advising, describe the advice you would give to them regarding their product differentiation and cost leadership advantage, as described in Question #6. [Ch Challenge Question #6 (page 159)]
5. Conclusion – Summary of main points
 - a. Lessons Learned and Recommendations

6. References – List the references you cited in the text of your paper according to APA format.

(Note: Do not include references that are not cited in the text of your paper)

GRADING

Your instructor will provide a grading rubric to evaluate your paper. Please see the Instructor Syllabus and Policies for details.

UNIT THREE

Chapters & Learning Outcomes

The key points of the following chapters (see textbook) will be discussed in this Unit:

- Chapter Six
Vertical Integration pages 162 to 163
- Chapter Seven
Corporate Diversification pages 188 to 215

UNIT THREE LEARNING OUTCOMES

This Unit meets the following learning outcomes:

- LO 8. Implement a valuable, effective, and sustained vertical integration strategy.
- LO 9. Implement a valuable, effective, and sustained corporate diversification strategy.

CHAPTER SIX

Vertical Integration

KEY LEARNING POINTS

What You Will Learn

The key learning point of this chapter is:

- Understanding how to implement a valuable, effective, and sustained vertical integration strategy.

Read the **Opening Case: Outsourcing Research** on **pages 162 to 163**.

WHAT IS CORPORATE STRATEGY? (Page 164)

This section reviews the difference between a **business strategy (page 164)** and a **corporate strategy (page 164)**. You just learned about two business strategies: cost leadership (chapter 4) and product differentiation (chapter 5). This chapter will focus on the first corporate strategy: vertical integration.

WHAT IS VERTICAL INTEGRATION? (Pages 164 to 165)

This section defines **vertical integration (page 164)**. According to the text on **page 164**, “A firm’s level of vertical integration is simply the number of steps in this **value chain (page 164)** that a firm accomplishes within its boundaries.” Make sure you understand the difference between **backward vertical integration (page 164)** and **forward vertical integration (page 164)**.

A simplified value chain of the oil and gas industry is displayed in **Figure 6.1** on **page 165**.

Ask yourself: What is my firm’s value chain?

Read **Strategy in Depth**, on **page 166**, to see a more sophisticated approach to Measuring Vertical Integration. Make sure you are also familiar with the key term: **value added as a percentage of sales (page 166)**.

THE VALUE OF VERTICAL INTEGRATION (Pages 165 to

Read this section to better understand the ways in which vertical integration can be valuable to a firm. You should be familiar with the following three explanations of when vertical integration can create value.

- **Vertical Integration and the Threat of Opportunism (Pages 167 to 169)**
 - Read this section to better understand how vertical integration can reduce the threat of **opportunism (page 167)**.
 - Make sure you also understand the impact of **transaction specific investments (page 167)**.
 - Read the example given in the text and examine **Figure 6.2 (page 168)**.
- **Vertical Integration and Firm Capabilities (Pages 169 to 170)**
 - Make sure you read this section and are familiar with the two broad implications of this approach discussed in the text.
- **Vertical Integration and Flexibility (Pages 170 to 171)**
 - Read this section to better understand the impact of vertical integration on a firm's **flexibility (page 170)**.
 - Make sure you also understand why *flexibility* is only valuable when the decision-making setting being faced by the firm is **uncertain (page 171)**.

Ask yourself: How can my firm benefit from vertical integration?

Pages 171 to 174 discuss **Applying the Theories to the Management of Call Centers**. This section applies each of the above theories, individually, to the discussion of how call centers should be managed. Read this section and make sure you are familiar with each of the following:

- ***Transaction-Specific Investments and Managing Call Centers (Pages 172 to 173)***
- ***Capabilities and Managing Call Centers (Pages 173)***
- ***Flexibility and Managing Call Centers (Pages 173 to 174)***

Ask yourself: Does this example change, affirm, or contradict my thoughts on the value of vertical integration?

Read ***Research Made Relevant***, on **page 172**, *Empirical Tests of Theories of Vertical Integration*

Integrating Different Theories of Vertical Integration, on **page 174**, discusses the ways in which the three theories can both contradict and complement one another.

Read about *The Ethics of Outsourcing* in ***Ethics and Strategy*** on **page 175**.

Ask yourself: How do I feel about outsourcing? Will I outsource within my firm? Why or why not?

VERTICAL INTEGRATION AND SUSTAINED COMPETITIVE ADVANTAGE (Pages 174 to 175)

This section discusses how a firm can implement a vertical integration strategy as a source of sustained competitive advantage. As discussed in Chapter 3, the way for a firm to sustain their competitive advantage depends on their rare and costly to imitate organizational strengths.

Pages 175 to 177 discuss **The Rarity of Vertical Integration** and the reasons why a firm's vertical integration strategy can be rare.

Read **Rare Vertical Integration (Pages 175 to 177)** and make sure you are familiar with each of the following three reasons why a firm may be able to create value through vertical integration when most of its competitors are not able to:

- *Rare Transaction-Specific Investment and Vertical Integration (Page 176)*
- *Rare Capabilities and Vertical Integration (Page 176)*
- *Rare Uncertainty and Vertical Integration (Pages 176 to 177)*

Also read about **Rare Vertical Dis-Integration on page 177**.

Page 177 discusses **The Imitability of Product Differentiation**. You should be familiar with both of the following approaches (direct duplication and substitutes):

- **Direct Duplication of Vertical Integration (Page 177)**
- **Substitutes for Vertical Integration (Page 177)**
 - This will be further discussed in Chapter 9.

ORGANIZING TO IMPLEMENT VERTICAL INTEGRATION (Pages 178 to 183)

This section discusses how firms organize to implement a vertical integration strategy. This involves the same three organizational tools from the other strategies: *organization structure, management controls, and compensation policies*.

Pages 178 to 180 discuss **Organizational Structure and Implementing Vertical Integration**. Read this section and make sure you understand the role of the CEO and **Resolving Functional Conflicts in a Vertically Integrated Firm (Pages 178 to 180)**.

Pages 180 to 181 discuss **Management Controls and Implementing Vertical Integration**. Make sure you read this section and are familiar with the two important management control processes discussed in the text. They are:

- *The Budgeting Process (Page 180)*
- *The Management Committee Oversight Process (Pages 180 to 181)*
 - You should know the two common internal management committees discussed in the text: **Executive committee (page 180)** and **Operations committee (page 181)**

Read about *Oprah, Inc.* in **Strategy in the Emerging Enterprise on page 179**.

Ask yourself: How does implementing a vertical integration strategy differ from implementing a product differentiation strategy or a cost leadership strategy?

Pages 181 to 183 discuss Compensation in Implementing Vertical Integration Strategies. Read this section to better understand the compensation challenges associated with each of the three vertical integration theories and some ways in which these challenges can be address. You should be familiar with each of the following:

- ***Opportunism-Based Vertical Integration and Compensation Policy (Pages 181 to 182)***
 - Make sure you understand the key term: **firm specific investments (page 182)**.
- ***Capabilities and Compensation (Page 182)***
- ***Flexibility and Compensation (Page 183)***

Read about some of the ways these challenges can be addressed in ***Compensation Alternatives*** on **page 183**. Several of these alternatives are shown in **Table 6.1 (Page 183)**. You should also know the key terms from this section: **stock grants (page 183)** and **stock options (page 183)**.

Activities

Chapter Six Practice Exam (If provided):

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Three section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week Three Discussion Questions (Chapter Six):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situation. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instructions: Using the chapter's key learning points, provide your answer to the question below.

Compare and contrast the three different explanations of how vertical integration can create value. Include an argument for which explanation you think is best and why?

CHAPTER SEVEN

Corporate Diversification

KEY LEARNING POINTS

What You Will Learn

The key learning point of this chapter is:

- Understanding how to implement a valuable, effective, and sustained corporate diversification strategy.

Read the **Opening Case**: The Worldwide Leader on **page 188**.

WHAT IS CORPORATE DIVERSIFICATION (Pages 190 to 193)

This section defines a **corporate diversification strategy (page 190)**. According to the text on **page 190**, “A firm implements a corporate diversification strategy when it operates in multiple industries or markets simultaneously.” Read this section to better understand how the type of markets (product, geographic, or both) affects the type of corporate diversification strategy being used. These types include: **product diversification strategy (page 190)**, **geographic market diversification strategy (page 190)**, and **product-market diversification strategy (page 190)**

Make sure you know the three **Types of Corporate Diversification: limited corporate diversification, related corporate diversification, and unrelated corporate diversification**. These are all introduced on **page 190**, illustrated in **Figure 7.1 (page 191)**, and discussed in more detail as follows:

- **Limited Corporate Diversification (Pages 190 to 191)**
 - Make sure you also know the two kinds of firms that are included in this category: **single-business firms (page 190)** and **dominant-business firms (page 190)**.
- **Related Corporate Diversification (Pages 191 to 192)**
 - You should know the two ways the business a diversified firm pursues can be related: **related-constrained (page 192)** and **related-linked (page 192)**
- **Unrelated Corporate Diversification (Page 193)**

Ask yourself: Which type of corporate diversification will I implement at my firm and why?

THE VALUE OF CORPORATE DIVERSIFICATION (Pages 193 to 211)

Read this section to better understand the ways in which corporate diversification can be valuable to a firm. You should be familiar with the following requirements, discussed on page 193, that must hold true for corporate diversification to add value for a firm: *there must be some valuable economies of scope and equity holders must be able to realize these economies of scope on their own*. Each will be discussed on the following pages:

Pages 193 to 209 discuss What are Valuable Economies of Scope?

Read this section to better understand the value of economies of scope (page 193). Some of the most important potentially valuable economies of scope are listed in Table 7.1 (page 194) and discussed in the text as follows. You should be familiar with each of the following:

- **Diversification to Exploit Operational Economies of Scope (Pages 195 to 203)**

Read this section to better understand **operational economies of scope (page 195)**. These typically take one of the following two forms. You should be familiar with each:

- **Shared Activities (Pages 195 to 198)**
 - Read about **Shared activities on page 195**.
 - Examine **Figure 7.2 (page 196)** to see a hypothetical firm sharing activities among three businesses.
 - **Table 7.2 (page 197)** summarizes some of the most common shared activities in diversified firms and their location within the value chain.
- Read about *The Limits of Activity Sharing* on **pages 198 to 199**.
 - Make sure you are familiar with the three important limits discussed in the text.
- **Core Competencies (Pages 199 to 202)**
 - Read this section to better understand a firm's **core competence (page 199)**.
 - Make sure you are also familiar with what creates a firm's **free cash flow (page 200)** and what it means for a firm to be considered a **seemingly unrelated diversified firms (page 202)**
- Read about the *Limits of Core Competencies* on **pages 202 to 203**.
 - You should be familiar with the two limitations discussed in the text as well as the two errors that can be a result of the intangibility of core competencies.
 - Some key terms you should also know from this section: **dominant logic (page 203)** and **invented competencies (page 203)**.

Read **Research Made Relevant**, on **pages 194**, and **ask yourself**: How Valuable Are Economies of Scope, on Average?

Read about the Gore-Tex Guitar Strings in **Strategy in the Emerging Enterprise** on **pages 201**.

- **Diversification to Exploit Financial Economies of Scope (Pages 203 to 206)**

Read this section to better understand the following three financial implications of diversification:

- ***Diversification and Capital Allocation (Pages 203 to 205)***
 - You should be familiar with the two ways capital can be allocated to businesses and how an **internal capital market (page 203)** can create value for a diversified firm. Also read about the two informational advantages a firm that owns a business might have over external sources of capital. The advantages and disadvantages of internal capital markets vs. external capital markets are further compared in the text on **pages 204 and 205**.
 - Read about the *Limits on Internal Capital Markets* on **page 205** and make sure you are familiar with the **escalation of commitment (page 205)**.
 - ***Diversification and Risk Reduction (Pages 205 to 206)***
 - Consider the example given in the text.
 - ***Tax Advantages of Diversification (Page 206)***
 - Make sure you are familiar with the two possible effects discussed in the text.
- ***Diversification to Exploit Anticompetitive Economies of Scope (Pages 206 to 208)***

Read this section to better understand the relationship between diversification strategies and anticompetitive activities. You should be familiar with the two specific examples discussed in the text. These are:

- ***Multipoint Competition (pages 206 to 208)***
 - Make sure you read this section and also understand **mutual forbearance (page 207)** and **tacit collusion (page 207)**.
 - An example of multipoint competition between two hypothetical firms is shown in **Figure 7.3 (page 207)**.
 - ***Diversification and Market Power (Page 208)***
 - You should be familiar with both **predatory pricing (page 208)** and the **deep-pockets model (page 208)**.
- ***Firm Size and Employee Incentives to Diversify (Page 209)***

Read this section to better understand the effect employees (and their compensation) has on diversification.

Pages 209 to 211 discuss Can Equity Holders Realize These Economies of Scope on Their Own?

This section discusses why it is important that managers in a firm to realize potentially valuable economies of scope (review Table 7.1 on page 194) on their own, and that it be less costly than for

outside equity holders on their own. Read this section and review the competitive implications of different economies of scope summarized in Table 7.3 (page 211).

Ask yourself: How can my firm benefit from corporate diversification?

Read about *Globalization and the Threat of the Multinational Firm* in *Ethics and Strategy* on page 210.

CORPORATE DIVERSIFICATION AND SUSTAINED COMPETITION ADVANTAGE (Pages 211 to 215)

This section discusses how a firm can implement corporate diversification as a source of sustained competitive advantage. As discussed in Chapter 3, the way for a firm to sustain their competitive advantage depends on their on their rare and costly to imitate organizational strengths. In this case, organization questions will be discussed in Chapter 8.

Read about *The Rarity of Diversification* on **pages 213 to 214**.

Pages 214 to 215 discuss The Imitability of Diversification. You should be familiar with both of the following approaches (direct duplication and substitutes):

- ***Direct Duplication of Diversification (Page 215)***
 - Read this section and examine **Table 7.4 (page 214)** to better understand the less costly-to-duplicate and the more costly-to-duplicate economies of scope.
- ***Substitutes for Diversification (Page 214)***
 - You should be familiar with the two obvious substitutes for diversification discussed in this section.

Read *Strategy in Depth*, on **pages 212 to 213**, to better understand *Risk-Reducing Diversification and a Firm's Other Stakeholders*.

Activities

Chapter Seven Practice Exam (If provided):

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Three section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week Three Discussion Questions (Chapter Seven):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situation. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instructions: Using the chapter's key learning points, provide your answer to the question below.

Compare and contrast the three types of corporate diversification. Include a brief example of each strategy in your answer.

UNIT THREE ASSIGNMENTS

Unit Three Exam

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Three section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Unit Three Case Study

For this case study you may select a company of your own choosing. Prepare a case study to respond to the following questions from the two chapters covered in this unit: Ch 6 Problem Set Question #3 (page 187) and Ch 7 Problem Set Question #1 (page 217):

1. Write a 3 to 5 page paper (1000 to 1500 words) in APA format in response to the questions. Below is a recommended outline.
2. Cover page (See APA Sample paper)
3. Introduction
 - a. A thesis statement
 - b. Purpose of paper
 - c. Overview of paper
4. Body (Cite sources with in-text citations.)
 - a. Choose one of the options in question #3. Substitute the example firm with the company you have chosen, and explain why or why not you would recommend vertical integration. [Ch 6 Problem Set Question #3 (page 187)]
 - b. Examine the corporate Web site for your selected company and explain how you would characterize their corporate strategy. Are they following a strategy of limited diversification, related diversification, or unrelated diversification? [Ch 7 Problem Set Question #1 (page 217)]
5. Conclusion – Summary of main points
 - a. Lessons Learned and Recommendations
6. References – List the references you cited in the text of your paper according to APA format.
(Note: Do not include references that are not cited in the text of your paper)

GRADING

Your instructor will provide a grading rubric to evaluate your paper. Please see the Instructor Syllabus and Policies for details.

UNIT FOUR

Chapters & Learning Outcomes

The key points of the following chapters (see textbook) will be discussed in this Unit:

- Chapter Eight
Organizing to Implement Corporate Diversification pages 220 to 247
- Chapter Nine
Strategic Alliances pages 248 to 275

UNIT FOUR LEARNING OUTCOMES

This Unit meets the following learning outcomes:

- LO 9. Implement a valuable, effective, and sustained corporate diversification strategy.
- LO 10. Describe the function of the M-form, or multidivisional, structure.

CHAPTER EIGHT

Organizing to Implement Corporate Diversification

KEY LEARNING POINTS

What You Will Learn

The key learning points in this chapter are:

- Understanding how to organize to implement a valuable, effective, and sustained corporate diversification strategy.
- Learning the function of the M-form, or multidivisional, structure.

Read the **Opening Case: Tyco Ten Years Later On** on **page 220**.

ORGANIZATIONAL STRUCTURE AND IMPLEMENTING CORPORATE DIVERSIFICATION (Pages 222 to 233)

This section discusses the most common organizational structure used for implementing a corporate diversification strategy: the **M-form**, or **multidivisional**, structure (**page 222**). An example of a typical M-form structure is shown in **Figure 8.1 (page 222)**. It is shown again in **figure 8.2 (page 223)** to emphasize the roles and responsibilities of the major components.

In the M-form structure, each business that a firm engages in is managed by a **division (page 222)**. Make sure you understand why these divisions are true **profit-and-loss centers (page 222)**.

Examine **Table 8.1 (page 224)** to see a summary of the roles and responsibilities for each of the major components in the M-form structure. You should be familiar with each role and its responsibilities. They will be discussed in detail in the following text,

- **The Board of Directors (Pages 223 to page 226)**

Read this section to better understand the role of firm's **board of directors (page 223)**. It is usually comprised of 10 to 15 individuals from the firm's top management and outside the firm. Make sure you understand the role of a firm's **senior executive (page 224)** as well as the role of the **chairman of the board (page 224)**. Make sure you also know each of the following possible

subcommittees: **audit committee (page 226)**, **finance committee (page 226)**, **nominating committee (page 226)**, and **personnel and compensation committee (page 226)**

Ask yourself: Who is the senior executive at my firm? Are they also the chairman of the board?

Read about *Agency Conflicts Between Managers and Equity Holders* that can emerge in ***Strategy in Depth*** on **page 225**. You should be familiar with the following key terms from this insert: **agency relationship (page 225)**, **principal (page 225)**, **agent (page 225)**, **agency problems (page 225)**, **managerial perquisites (page 225)**, and **managerial risk aversion (page 225)**.

Also read about the *Effectiveness of Boards of Directors* in ***Research Made Relevant*** on **pages 226 to 227**.

Ask yourself: Do I think *Boards of Directors* are effective? Why or why not?

Institutional Owners (Pages 227 to 228)

Read this section to better understand the role of **institutional owners (page 227)** and who they typically are.

The Senior Executive (Pages 228 to 229)

This section discusses the role of the *senior executive* (president or CEO) in further detail. You should be familiar with the following two responsibilities held by the *senior executive*.

- ***Strategy Formulation (Page 228)***
- ***Strategy Implementation (Page 229)***

Page 229 also discusses how the roles and the responsibilities of the senior executive can be divided. Read *The Office of the President: Chairman, CEO, and COO* (page 229) to better understand this and make sure you are familiar with the following three roles: chairman of the board, chief executive officer, and chief operating office (COO). The responsibilities for each of these roles are summarized in Table 8.2 (page 229). Together they are known as the office of the president (page 229).

Ask yourself: Would dividing the senior executive's responsibilities into the office of the president be useful at my firm? Why or why not?

Corporate Staff (Pages 229 to 231)

Read this section to better understand the role and primary responsibility of corporate staff (page 229). Read more about Corporate and Divisional Staff on pages 230 to 231. Also read about the consequences of Overinvolvement in Managing Division Operations on page 231.

- **Division General Manager (Pages 231 to 232)**

Read this section to better understand the roles and responsibilities of division general managers.

- **Shared Activity Managers (Pages 232 to 233)**

Read this section to better understand the role of shared activity managers. Make sure you are familiar with *Shared Activities as Cost Centers*, discussed on **pages 232 to 233**, and *Shared Activities as Profit Centers*, discussed on **page 233**. A key term you should know from this section is: **cost centers (page 232)**.

MANAGEMENT CONTROLS AND IMPLEMENTING CORPORATE DIVERSIFICATION (Pages 233 to 242)

This section discusses three of the most important management controls found in an M-form structure, these include systems for: *evaluating divisional performance*, *allocating capital across division*, and *transferring intermediate products between divisions*. Each of these systems are discussed as follows:

- **Evaluating Divisional Performance (Pages 234 to 237)**

This section discusses the two typical problems/questions that arise when attempting to evaluate division performance. Make sure you are familiar with each of the following:

- ***Measuring Divisional Performance (Pages 234 to 236)***

Divisional performance can be measured a least two ways. *Accounting Measures of Divisional Performance (Pages 234 to 235)* and *Economic Measures of Divisional Performance (Pages 235 to 236)* are both discussed in the text. You should also be familiar with the key term: **Economic value added (EVA) (page 235)**

- ***Economies of Scope and the Ambiguity of Divisional Performance (Pages 236 to 237)***

- **Allocating Corporate Capital (Pages 237 to 238)**

Read this section and make sure you are familiar with the process known as **zero-based budgeting (page 237)**.

- **Transferring Intermediate Products (Pages 238 to 242)**

Read this section to better understand **intermediate products or services (page 238)** and how their transfer is managed, usually through the use of a **transfer-pricing system (page 238)**.

Also read about **Setting Optimal Transfer Prices** on **page 238**, **Difficulties in Setting Optimal Transfer Prices** on **page 239**, and **Setting Transfer Prices in Practice** on **pages 239 to 242**. Several alternative transfer-pricing schemes are shown in **Table 8.3 (Page 239)**. The weaknesses of alternative transfer-pricing schemes are summarized in **Table 8.4 (Page 240)**.

Ask yourself: How can my firm benefit from the information I've learned about these management controls?

Read **Strategy in the Emerging Enterprise**, on **page 241**, to better understand *Transforming Big Business into Entrepreneurship*. You should also be familiar with the following key terms from this section: **corporate spin-off** and **initial public offering (IPO)**.

COMPENSATION POLICIES AND IMPLEMENTING CORPORATE DIVERSIFICATION (Pages 242 to 244)

Read this section to better understand how a firm's compensation policies are a firm's final set of tools for implementing diversification.

Read about the *CEO Compensation and the Credit Crisis of 2008* in **Ethics and Strategy** on **pages 242 to 243**.

Activities

Chapter Eight Practice Exam (If provided):

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Four section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week Four Discussion Questions (Chapter Eight):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situation. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instruction: Using the chapter's key learning points, provide your answer to the question below.

Describe the role of each of the major components found in the M-form structure.

CHAPTER NINE

Strategic Alliances

KEY LEARNING POINTS

What You Will Learn

The key learning point of this chapter is:

- Understanding how to create and utilize effective, valuable, and sustained strategic alliances.

Read the **Opening Case: Who Makes Video Games?** on **pages 248 to 249**.

WHAT IS A STRATEGIC ALLIANCE? (Pages 250 to 251)

This section defines a **strategic alliance** as existing “whenever two or more independent organizations cooperate in the development, manufacture, or sale of products or services.” (**Page 250**) Make sure you are familiar with the three broad categories of strategic alliances, all discussed on **page 250: nonequity alliances, equity alliance, and joint venture**. These three types of strategic alliances are also illustrated in **Figure 9.1 (page 250)**.

Ask yourself: What are some strategic alliances I am familiar with?

You should also know the three examples of nonequity alliances also discussed on **page 250: licensing agreements, supply agreements, and distribution agreements**.

Ask yourself: Is my firm already engaged in any strategic alliances?

HOW DO STRATEGIC ALLIANCES CREATE VALUE (Pages 251 to 258)

Read this section to better understand the ways in which strategic alliances can be valuable to a firm. Examine **Table 9.1 (Page 251)** to see a list of some of the most important opportunities that can be exploited by strategic alliances. These are further discussed in **Strategic Alliance Opportunities (Pages 251 to 258)**.

- **Improving Current Operations (Pages 251 to 253)**

Read this section to better understand how firm’s can use alliances to realize economies of scale (**page 255**).

- **Creating a Favorable Competitive Environment (Pages 253 to 255)**

Read this section to better understand how firms can create “a competitive environment that is more conducive to superior performance.” (Page 253)

One of these ways is to set technological standards, read about the impact of this on **page 253** and make sure you know why this is particularly important in **network industries (page 253)**. You should also understand **increasing returns to scale (page 253)**.

Also read about how cooperating in strategic alliances helps the development of **tacit collusion (page 255)**. **Page 255** also discusses the definitions of **collusion** and **explicit collusion**.

Ask yourself: Why is *explicit collusion* illegal in most countries?

Read about **learning races (page 254)** in the *Strategy in Depth* on **page 254**. You should also be familiar with the key term: **absorptive capacity (page 254)**.

- **Facilitating Entry and Exit (Pages 255 to 258)**

Read this section to better understand how strategic alliances can create value by helping to facilitate a firm’s entry into or exit from a market or industry.

Also read about how strategic alliances can help firms manage uncertainty (page 257) on page 257. You should also understand why strategic alliances have been analyzed as real options (page 257).

Read **Research Made Relevant**, on **page 257**, and **ask yourself:** Do Strategic Alliances Facilitate Tacit Collusion?

ALLIANCE THREATS: INCENTIVES TO CHEAT ON STRATEGIC ALLIANCES (Pages 258 to 262)

Read this section to better understand the ways cheating can occur in strategic alliances. Make sure you understand the text’s definition of cheating, discussed on **page 258**. You should be familiar with each of the following three ways firms can cheat in strategic alliances, also summarized in **Table 9.2 (page 258)**:

1. **Adverse Selection (Pages 258 to 259)**
2. **Moral Hazard (Pages 259 to 260)**
3. **Holdup (Pages 260 to 262)**

The key terms you should know from this section are: **adverse selection (page 258)**, **moral hazard (page 259)**, **transaction specific (page 260)**, and **holdup (page 260)**.

Read *Strategy in the Emerging Enterprise*, on **page 261**, to learn more about the strategic alliance formed between *Disney and Pixar*.

Read *Ethics and Strategy* and examine **Table 9.2, both on page 264**. **Ask yourself:** When It Comes to Alliances, Do “Cheaters Never Prosper?”

STRATEGIC ALLIANCES AND SUSTAINED COMPETITIVE ADVANTAGE (Pages 262 to 267)

This section discusses how a firm can gain a sustained competitive advantage from their strategic alliances. As discussed in Chapter 3, the way for a firm to sustain their competitive advantage depends on their on their rare and costly to imitate organizational strengths.

Read about **The Rarity of Strategic Alliances** on **pages 262 to 263**.

Pages 263 to 267 discuss **The Imitability of Strategic Alliances**. You should be familiar with both of the following approaches (direct duplication and substitutes):

- **Direct Duplication of Strategic Alliances (Page 263)**
- **Substitutes for Strategic Alliances (Pages 263 to 264)** Make sure you are familiar with the following two substitutes:
 - **“Going it Alone” (Pages 263 to 264)**
 - Examine **Table 9.4 (page 265)** to better understand when alliances should be preferred over “going it alone.”
 - **“Acquisitions”(Pages 265 to 266)**
 - Examine **Table 9.5 (Pages 266)** to better understand when alliances should be preferred over acquisitions.

ORGANIZAING TO IMPLEMENT STRATEGIC ALLIANCES (Pages 267 to 272)

This section discusses the various tools and mechanisms that can be used to limit the threat of cheating and realize the value of strategic alliances. Read this section and make sure you are familiar with each of the following:

- **Explicit Contracts and Legal Sanctions (Pages 267 to 268)**
 - Examine **Table 9.6 (Pages 268 to 269)** to see a list of common clauses used in contracts to govern strategic alliances.
- **Equity Investments (Pages 268 to 269)**
- **Firm Reputations (Pages 270 to 271)**
- **Joint Ventures (Page 271)**
- **Trust (Pages 271 to 272)**

Ask yourself: Which of these do I think is most valuable and why?

Activities

Chapter Nine Practice Exam (If provided):

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Four section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week Four Discussion Questions (Chapter Nine):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situation. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instructions: Using the chapter's key learning points, provide your answer to the question below.

Describe the two substitutes for strategic alliances that were discussed in the text. Include a brief explanation of the limits of each to act as substitutes for alliances and why firms would choose alliances over substitutes in these cases.

UNIT FOUR ASSIGNMENTS

Unit Four Exam

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Four section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Unit Four Case Study

For this case study you may select a company of your own choosing. Prepare a case study to respond to the following questions from the two chapters covered in this unit: Ch 8 Problem Set Question #2 (page 246) and Ch 9 Challenge Question #1 (page 273):

1. Write a 3 to 5 page paper (1000 to 1500 words) in APA format in response to the questions. Below is a recommended outline.

1. Cover page (See APA Sample paper)
2. Introduction
 - a. A thesis statement
 - b. Purpose of paper
 - c. Overview of paper
3. Body (Cite sources with in-text citations.)
 - a. Assume that the Problem Set Question #2 (Page 246) applies to your chosen company. Consider the following facts. Division A in your firm has generated \$847,000 of profits on \$24 million worth of sales, using \$32 million worth of dedicated assets. The cost of capital for your firm is 9 percent, and the firm has invested \$7.3 million in this division.
 - (a) Calculate the Return on Sales (ROS) and Return on Total Assets (ROA) of Division A. If the hurdle rates for ROS and ROA in this firm are, respectively, 0.06 and 0.04, has this division performed well?
 - (b) Calculate the EVA of Division A (assuming that the reported profits have already been adjusted). Based on this EVA, has this division performed well?
 - (c) Suppose you were CEO of your firm. How would you choose between ROS/ROA and EVA for evaluating this division?
 - b. One reason why firms might want to pursue a strategic alliance strategy is to exploit economies of scale. Research your company website to see if your chosen company has pursued strategic alliances and the outcome of any economies of scale. Exploiting economies of scale should reduce a firm's costs. Indicate for your company if you think pursuing an alliance strategy to exploit economies of scale is actually pursuing a cost leadership strategy? Why or why not? Challenge Question #1 (page 273).

4. Conclusion – Summary of main points
 - a. Lessons Learned and Recommendations
5. References – List the references you cited in the text of your paper according to APA format.

(Note: Do not include references that are not cited in the text of your paper)

GRADING

Your instructor will provide a grading rubric to evaluate your paper. Please see the Instructor Syllabus and Policies for details.

UNIT FIVE

Chapters & Learning Outcomes

The key points of the following chapters (see textbook) will be discussed in this Unit:

- Chapter Ten
Mergers and Acquisitions pages 276 to 305
- Chapter Eleven
International Strategies pages 306 to 341

UNIT FIVE LEARNING OUTCOMES

This Unit meets the following learning outcomes:

- LO 13. Describe how and why firms might use mergers and acquisitions to accomplish their goals.
- LO 14. Implement a valuable, effective, and sustained international strategy.

CHAPTER TEN

Mergers and Acquisitions

KEY LEARNING POINTS

What You Will Learn

The key learning point of this chapter is:

- Understand how and why firms might use mergers and acquisitions to accomplish their goals.

Read the *Opening Case: A Merger Mystery* on pages 276 and 277.

WHAT ARE MERGERS AND ACQUISITIONS? (Pages 278 to 279)

Read this section to better understand **acquisitions (page 278)** and **merger (page 278)** and the difference between the two. You should also be familiar with the differences between a **friendly acquisition (page 278)** and an **unfriendly acquisition (page 278)** (also known as a **hostile takeovers (page 278)**). Other key terms, related to acquisitions, that you should know from this section are: **controlling share (page 278)**, **privately held (page 278)**, **closely held (page 278)**, **acquisition premium (page 278)**, and **tender offer (page 278)**.

Ask yourself: What are some recent mergers or acquisitions that I am familiar with?

THE VALUE OF MERGERS AND ACQUISITIONS (Pages 279 to 280)

This section discusses the ways in which mergers and acquisitions can be valuable to a firm.

Pages 279 to 280 discuss **Mergers and Acquisitions: The Unrelated Case**. Read this section to better understand how mergers and acquisitions between strategically unrelated firms can create value. You should be familiar with the key term: **current market value (page 279)**.

Pages 280 to 284 discuss **Mergers and Acquisitions: The Related Case**. Read this section to better understand how mergers and acquisitions between strategically related firms can create value.

The *Types of Strategic Relatedness* are discussed on pages 280 to 283. Make sure you are familiar with each of the three following potential linkages:

- The *Federal Trade Commission Categories (Pages 280 to 282)*

Read this section, and examine **Table 10.1 (Page 281)**, to better understand the Federal Trade Commission's categories of mergers and acquisitions. These include: **vertical merger (page 281)**, **horizontal merger (page 281)**, **product extension merger (page 281)**, **market extension merger (page 281)**, and **conglomerate merger (page 281)**. You should be familiar with each.

- **Other Types of Strategic Relatedness (Pages 282 to 283)**

You should be familiar with both Lubatkin's and Jensen and Ruback's list of potential sources of strategic relatedness between bidding and target firms. Lubatkin's list is discussed on **page 282** and summarized in **Table 10.2 (page 282)**. His list includes: **technical economies (page 282)**, **pecuniary economies (page 282)**, and **diversification economies (page 282)**. Jensen and Ruback's list is also discussed on **page 282** but summarized in **Table 10.3 (page 282)**.

Ask yourself: Why links between bidding firms have to meet the same criteria as diversification strategies (from Chapter 7) to be economically valuable?

Read about *Economic Profits in Related Acquisitions* on **pages 283 to 284**.

Ask yourself: How could a merger or acquisition add value to my firm?

WHAT DOES RESEARCH SAY ABOUT RETURNS TO MERGERS AND ACQUISITIONS (Pages 284 to 289)

Read about *Cashing Out in Strategy in the Emerging Enterprise* on **page 285**. Some key terms you should know from this insert are: retained earnings, business angels, venture capital firms, initial public offering (IPO), and cashing out.

This section discusses the academic research that has been done examining mergers and acquisitions.

Pages 286 to 289 discuss **Why Are There So Many Mergers and Acquisitions?** Read this section and make sure you are familiar with each of the following possible explanations, discussed in the text and summarized in **Table 10.4 (Page 286)**.

- *To Ensure Survival (Page 286)*
- *Free Cash Flow* (Page 287)*
- *(Agency Problems (Pages 288 to 289)*
- *Managerial Hubris* (Page 289)*
- *The Potential for Economic Profits (Page 289)*

Ask yourself: Which of these reasons do I think is the strongest and why?

*Also a key term you should know.

Read ***Strategy in Depth*** (page 288) to better understand *Evaluating the Performance Effects of Acquisitions* and the most popular evaluation approach: **event study analysis** (page 288). Make sure you also know how to calculate the **cumulative abnormal return (CAR)** (page 288).

MERGERS AND ACQUISITIONS AND SUSTAINED COMPETITIVE ADVANTAGE (Pages 289 to 298)

Read this section to better understand why the ability of the economies of scope, that motivate mergers and acquisitions, to generate profits and competitive advantage for bidding firms depends on both their economic value and the competitiveness of the **market for corporate control** (page 290).

The following three sections discuss three scenarios that show how the competitiveness of the market for corporate control can affect the returns on merger and acquisition strategies. Read these sections and make sure you are familiar with each.

- **Valuable, Rare, and Private Economies of Scope** (Pages 290 to 291)
- **Valuable, Rare, and Costly-to-Imitate Economics of Scope** (Pages 291 to 292)
- **Unexpected Valuable Economies of Scope Between Bidding and Target Firms** (Page 292)

Read about the “rules” for bidding firm managers, under **Implications for Bidding Firm Managers**, on **pages 292 to 297**. These “rules” are also summarized in **Table 10.5** (page 292). Make sure you are familiar with each of the following:

- **Search for Rare Economies of Scope** (Page 293)
- **Keep Information Away from Other Bidders** (Pages 293 to 294)
- **Keep Information Away from Targets** (Page 294)
- **Avoid Winning Bidding Wars** (Pages 294)
- **Close the Deal Quickly** (Page 295)
- **Complete Acquisitions in “Thingy Traded” Market** (Pages 295 to 296)
- **Service Corporation International: An Example** (Pages 296 to 297)

Ask yourself: Did any of these rules surprise me? If so, why?

You should also be familiar with the key term: thinly traded markets (**page 295**) from this section.

Read about the “rules” for target firm managers, under **Implications for Target Firm Managers**, on **pages 297 to 298**. These “rules” are also summarized in **Table 10.6** (page 297). Make sure you are familiar with each of the following:

- **Seek Information from Bidders** (Page 297)
- **Invite Other bidders to Join the Bidding Competition** (Page 297)
- **Delay, but Do Not Stop, the Acquisition** (Pages 297 to 298)

Ask yourself: Did any of these rules surprise me? If so, why?

ORGANIZING TO IMPLEMENT A MERGERS AND ACQUISITIONS (Pages 298 to 303)

Read this section to better understand the ways in which merged organizations should be organized.

Page 298 discusses **Post-Merger Integration and Implementing a Diversification Strategy**. Read this section and make sure you are familiar with which mergers and acquisitions should be managed through the M-form structure, and which ones should be managed through the U-form structure.

Read about the Special Challenges in Post-Merger Integration on pages 298 to 303.

Read about *The Wealth Effects of management Responses to Takeover Attempts* in **Research Made Relevant** on **page 299 to 301**. The responses discussed in this insert are summarized in **Table 10.7 (page 299)**. You should be familiar with each of the following key terms:

- Responses that reduce wealth of target firm equity holders: **greenmail (page 299)**, **standstill agreements (page 299)**, **poison pills (page 300)**, and **tender offers (page 300)**.
- Reasons that do not affect the wealth of target firm equity holders: **shark repellents (page 300)**, a common example of shark repellants is **supermajority voting rules (page 300)**, **pac man defense (page 300)**, and **crown jewel sale (page 300)**
- Reasons that increase the wealth of target firm equity holders: **white knight (page 301)**, **auction (page 301)**, and **golden parachutes (page 301)**

Activities

Chapter Ten Practice Exam (If provided):

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Five section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week Five Discussion Questions (Chapter Ten):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situation. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instructions: Using the chapter's key learning points, provide your answer to the question below.

Describe the “rules” for bidding firm managers that were discussed in the text. How do these rules differ from the “rules” for target firm managers? Include a brief explanation of each of the rules in your answer.

CHAPTER ELEVEN

International Strategies

KEY LEARNING POINTS

The key learning point of this chapter is:

- Understanding how to implement a valuable, effective, and sustained international strategy.

Read the **Opening Case: The Russians Are Coming** on **page 306**.

The chapter begins with a discussion about why firms proactively engage in **international strategies (page 308)** and how the previous chapters in the text also relate to how firms approach their international strategies.

Read about the International Entrepreneurial Firms: The Case Of Logitech in **Strategy in the Emerging Enterprise** on **page 308**.

THE VALUE OF INTERNATIONAL STRATEGIES (Page 309)

This section discusses the ways in which international strategies can be valuable to a firm.

Remember that international strategies are corporate strategies and, therefore, must meet the two value criteria established for corporate strategies in Chapter 7. Make sure you review how this applies to international strategies on **page 309**. They must also exploit environmental opportunities or neutralize environmental threats.

You should be familiar with the following five potential sources of economies of scope for firms pursuing international strategies. These are also summarized in **Table 11.1 on page 309**.

1. **TO GAIN ACCESS TO NEW CUSTOMERS FOR CURRENT PRODUCTS OR SERVICES (Pages 310 to 316)**

Pages 310 to 315 discuss **Internationalization and Firm Revenues**. Read this section and make sure you are familiar with the answers to the following questions firm's need to ask when making international strategy decisions:

- **Are Nondomestic Customers Willing to Buy? (Pages 310 to 311)**

- **Are Nondomestic Customers Able to Buy? (Pages 311 to 315)**

You should be familiar with the three reasons why customers may be willing, but unable, to buy: Inadequate distribution channels, trade barriers, and insufficient wealth to make purchases. Also review the list of trade barriers in **Table 11.2** on **page 312**. Make sure you know the key terms: **hard currencies (page 314)** and **countertrade (page 315)**. To better understand *countertrade*, read the **Strategy in Depth** on **page 314**.

Ask yourself: How could the above reasons affect my firm's customers?

Pages 315 to 316 discuss **Internationalization and Product Life Cycles**.

Read this section to better understand the **product life cycle (page 315)**, also illustrated in **Figure 11.1 (page 315)**. You should be familiar with each of the following stages of the *product life cycle*: **introduction (page 315)**, **growth (page 315)**, **maturity (page 315)**, and **decline (page 315)**.

Page 316 also discusses **Internationalization and Cost Reduction**.

Ask yourself: How could this potential source of economies of scope add value to my firm?

TO GAIN ACCESS TO LOW-COST FACTORS OF PRODUCTION (Pages 316 to 318)

Read this section and make sure you are familiar with the following three low-cost factors of production:

- **Raw Materials (Page 316)**
- **Labor (Pages 316 to 317)**
- **Technology (Page 318)**

Read **Ethics and Strategy**, on **page 317**, to better understand *The Race to the Bottom*.

Ask yourself: How could this potential source of economies of scope add value to my firm?

2. TO DEVELOP NEW CORE COMPETENCIES (Pages 318 to 321)

This section discusses the reasons why firms must always be **Learning from International Operations**. Read about these reasons on **pages 319 to 321**.

You should be familiar with each of the following determinants of the ability of a firm to learn from its international operations. These determinants are also summarized in **Table 11.3 (page 319)**.

- ***The Intent to Learn (Page 319)***
- ***Transparency and Learning (Page 320)***
- ***Receptivity to Learning (Page 320)***

Make sure you also know the following key terms from this section: **transparent business partners (page 320)** and **unlearning (page 320)**.

Pages 320 and 321 also discuss **Leveraging New Core Competencies in Additional Markets**.

Ask yourself: How could this potential source of economies of scope add value to my firm?

3. TO LEVERAGE CURRENT CORE COMPETENCIES IN NEW WAYS (Page 321)

Read this section to better understand how international operations also can create new ways for firms to leverage their traditional core competencies.

Ask yourself: How could this potential source of economies of scope add value to my firm?

4. TO MANAGE CORPORATE RISK (Pages 321 to 323)

This section discusses how international operations can help with a firm's risk reduction. Make sure you read this section and are familiar with the two qualifications discussed in the text.

Ask yourself: How could this potential source of economies of scope add value to my firm?

Read about *Family Firms in the Global Economy* in **Research Made Relevant** on **page 322**.

THE LOCAL RESPONSIVENESS / INTERNATIONAL INTEGRATION TRADE-OFF (Pages 323 to 324)

Read this section to better understand the trade-off firms must face, when pursuing the economies of scale discussed above, between **local responsiveness (page 323)** and tight integration amongst all the markets a firm operates in.

Ask yourself: How would my firm balance these two?

THE TRANSNATIONAL STRATEGY (Page 325)

This section discusses why some argue that a **transnational strategy (page 325)** can replace the local responsiveness / international integration trade-off.

Ask yourself: How could my firm benefit from the implementation of a *transnational strategy*?

FINANCIAL AND POLITICAL RISKS IN PURSUING INTERNATIONAL STRATEGIES (Pages 325 to 328)

Read this section to better understand the **Financial Risks: Currency Fluctuation and Inflation (Pages 325 to 326)** and **Political Risks (Page 326)** that can affect the value of international strategies.

You should be familiar with the *Types of Political Risk (page 326)*, *Quantifying Political Risk (page 326)*, and *Managing Political Risk (pages 327 to 328)*. Also examine **Table 11. 4 (page 327)** to better understand quantifying political risk.

Read about the **RESEARCH ON THE VALUE OF INTERNATIONAL STRATEGIES** on **page 328**.

INTERNATIONAL STRATEGIES AND SUSTAINED COMPETITIVE ADVANTAGE (Pages 328 to 331)

This section discusses how a firm can gain a sustained competitive advantage from their international strategies.

Read about **The Rarity of International Strategies** on **pages 329 to 330**.

Pages 330 to 331 discuss **The Imitability of International Strategies**. You should be familiar with both of the following approaches (direct duplication and substitutes):

- ***Direct Duplication of International Strategies (Pages 330 to 331)***

Make sure you are familiar with the two questions that must be asked to evaluate the possibility of direct duplication of international strategies.

- ***Substitutes for International Strategies (Page 331)***

THE ORGANIZATION OF INTERNATIONAL STRATEGIES (Page 331 to 337)

This section discusses how firms should be organized to effectively implement their international strategy. Read about the organizational options, under *Becoming International: Organizational Options* on **pages 331 to 337**, and examine **Table 11.5 (page 332)** to see a summary of the following three organizational options you should know:

- **Market Exchange and International Strategies (Page 332)**
- **Intermediate Market Exchanges and International Strategies (Pages 333 to 334)**
- **Hierarchical Governance and International Strategies (Page 334)**

Some additional key terms you should also know from this section are: **foreign direct investment (page 332)** and **strategic alliances (page 33)**.

- ***Managing the International Diversified Firm (Pages 334 to 337)***

- Read *Organizational Structure* on **pages 335 to 337** and make sure you are familiar with the following four organizational structural alternatives for firms pursuing international strategies: **decentralized federation (page 335)**, **coordinated federation (pages 335)**, **centralized hub (page 335)**, and **transnational structure (page 336)**.
- Read about the affect of the local responsiveness and international integration trade off on a firm's approach to the organization of their international strategies under *Organizational Structure, Local Responsiveness, and International Integration* on **page 357**.
- Also read about *Management Control Systems and Compensation Policies* on **page 337**.

Activities

Chapter Eleven Practice Exam (If provided):

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Five section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Week Five Discussion Questions (Chapter Eleven):

The purpose of the discussion question is to allow you as the student/learner to demonstrate your understanding of the chapter's key learning points and how you might apply them in given situation. Participating in the discussion question forum provides you as the student/learner an opportunity to compare your ideas to ideas from others in your class.

Instruction: Using the chapter's key learning points, provide your answer to the question below.

Discuss the reasons why nondomestic customers might not be willing to buy products and services from a firm selling in a foreign market and the reasons why nondomestic customers may not be able to buy a firm's products and services even if they are willing. Include a brief description of how your firm would approach selling a product or service in a foreign market.

UNIT FIVE ASSIGNMENTS

Unit Five Exam

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Five section. Select the available activities that may include Practice Exams, Unit Exams and Assignments.

Unit Five Case Study

For this case study you will use your own company and respond to the following questions from the two chapters covered in this unit: Ch 10 Challenge Question #1 (page 304) and Ch 11 Problem Set Question #1 (page 339):

Write a 3 to 5 page paper (1000 to 1500 words) in APA format in response to the three questions. Below is a recommended outline.

1. Cover page (See APA Sample paper)
2. Introduction
 - a. A thesis statement
 - b. Purpose of paper
 - c. Overview of paper
3. Body (Cite sources with in-text citations.)
 - a. Describe the conditions, if any, where your business can expect to earn an economic profit from acquiring a new, strategically related, firm after fending off four other bidders. [Ch 10 Problem Set Question #1 (page 304)]
 - b. Considering your selected company, in which country is it riskiest to begin international operations: Mexico, Argentina, or Poland? Justify your conclusions. Ch 11 Problem Set Question #1 (page 339).
4. Conclusion – Summary of main points
 - a. Lessons Learned and Recommendations
5. References – List the references you cited in the text of your paper according to APA format.
(Note: Do not include references that are not cited in the text of your paper)

GRADING

Your instructor will provide a grading rubric to evaluate your paper. Please see the Instructor Syllabus and Policies for details.

UNIT SIX

Activities

Unit Six is an optimal time for students to review each course assignment and reflect on key learning points.

In this final week of the course, you are required to do the following:

- Respond to the Week Six Discussion Question.
- Complete the end of course survey
- Download and save the study guide
- Complete the Final Exam
- Complete and submit the Course Project

Week 6 Discussion Questions:

What are the key lessons that you learned in this course?

Why are these lessons important to you?

End of Course Survey

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Six section. Click on the End of Course Survey object to document your feedback regarding the strengths and areas for improvement for this course.

UNIT SIX ASSIGNMENTS

Final Exam:

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Six section. Select the available activities that may include Final Exam and Assignments.

Week 6 Project:

Choose one of the following options:

Option 1 – Web Research

Conduct an Internet search to find companies noted for best practices in Strategic Management and Competitive Globalization.

Describe what these best-practice companies do in the field of Strategic Management and Competitive Globalization. What are the similarities across companies? Describe any major differences. Critique the best practices. State how you would implement the best practices in your organization.

Submit your project in APA format with at least three in-text references. Length: 5 pages (excluding cover and reference pages)

Option 2 – Organization Comparison

Identify two organizations with different Strategic Management and Competitive Globalization processes. Describe these differences. Indicate how the Strategic Management and Competitive Globalization strategies of these companies might be similar or different. Provide a rationale for your conclusions using relevant concepts from the text and peer reviewed articles.

Submit your project in APA format with at least three in-text references. Length: 5 pages (excluding cover and reference pages)

Option 3 – Create your own project.

This option provides an opportunity for you to create your own project based on the end of program capstone/dissertation. The project must include the learning objectives of the current course. This option requires the instructor's approval.

Submit your project in APA format with at least three in-text references. Length: 5 pages (excluding cover and reference pages)

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Six section. Select the available activities that may include Final Exam and Assignments. Once you have finalized and completed your chosen project, click on the Week 6 Project object to submit the assignment.

COURSE PRESENTATION

Choose a topic that is related to one or more of the Course Objectives.

Describe the topic.

State the purpose and the importance of the course topic.

Provide an overview of the presentation.

Create 5 to 6 PowerPoint slides of the content of the topic using 3 to 5 bullets per slide.

Include speaker notes of the presentation.

Note: You could create a live presentation (such as via YouTube) and provide a link to the presentation.

Log into the CalUniversity Learn Center and enter this specified course. Once in the course, scroll down to the Week Six section. Select the available activities that may include Final Exam and Assignments. Once you have finalized your course presentation, click on the Course Presentation object to submit your assignment.