

## BA 544 Study Guide

(NB: the sequencing of questions follows neither the presentation order of material in our BA 544 course, nor the order in the Power Points, but rather the sequencing of material in our textbook).

### **Power Point Set #1 (Chapter 1: What is Strategy?)**

- 001. Does Twitter have a strategy? (pp. 5-6; pp. 8-9; p.11; p.23; and Power Point Slides #4-#7 and #14-#16)
- 002. How does Threadless leverage crowdsourcing to design T-shirts? (p.10; and Power Point Slide #22)
- 003. Discuss “Industry Effects” versus “Firm Effects (pp. 11-12 and Power Point Slides #25-#26)
- 004. Discuss “black swan events” and their importance for business (p.13; and Power Point Slides #34-#35)
- 005. Explain the stakeholder view of strategic management (pp. 14-15; and Power Point Slides #36-#38)
- 006. How might Target’s stakeholders, in particular its employees, customers, local communities, and suppliers influence a manager’s decisions about building competitive advantage? (p.15; and Power Point Slide #39)
- 007. Provide the five steps of stakeholder impact analysis (pp. 15-19; and Power Point Slides #40-#45)
- 008. BP’s experience in the Gulf of Mexico shows how *not* to manage stakeholder relationships effectively. What advice would you give to BP’s managers to help rebuild stakeholder relationships in the gulf region and beyond this region? (p.20; and Power Point Slides #46-48)
- 009. Provide the Analysis-Formulation-Implementation (AFI) Strategy Framework (pp. 20-23; and Power Point Slides #12-#13)
- 010. What is sustainable competitive advantage? (Power Point Slide #17) How does it relate to Net Present Value (NPV) in corporate finance? (Power Point Slide #23)
- 011. What insights do you derive from three of the more well-known definitions of strategy by Schelling, Chandler, and Quinn? (Power Point Slide #18)
- 012. What are some of the key features of strategy? (Power Point Slide #20)
- 013. In what ways do Wal-mart achieve unique positioning (in product space and in geographic space)? (Power Point Slide #21)
- 014. Discuss the levels of corporate, business, and functional strategy (Power Point Slides #27-#29)

### **Power Point Set #2 (Chapter 2: Strategic Leadership: Managing the Strategy Process)**

- 015. US internet firm Yahoo is being acquired by American telecoms giant Verizon Communications for nearly \$5 billion in cash. Based on your reading of Yahoo, was this a good (financial valuation) deal for Verizon? (pp. 33-34; pp. 55-56; and Power Point Slides #2-#5)
- 016. Describe the differences between a product-oriented and a customer-oriented vision statement (pp. 38-40; and Power Point Slides #7-#9)

017. Merck followed a socially responsible path by donating more than one billion drug treatments to remedy river blindness in remote African communities. Yet Merck must also meet shareholder responsibilities and make profits on drugs. How should a responsible firm make these tradeoffs? What steps can strategic leaders take to guide organizations to these challenging issues? (p.41; Power Point Slides #11-#13)
018. Apply the Level-5 pyramid of strategic leadership (p.41) to evaluate PepsiCo Indra Nooyi (pp. 432-434; and Power Point Slides #16-#17). Where would you place Nooyi on the Level-5 pyramid of strategic leadership (see Exhibit 2.4), and why?
019. Discuss the three approaches to strategize for competitive advantage: (1) Strategic planning; (2) Scenario planning; and (3) Strategy as planned emergence (pp. 46-55; Power Point Slides #20-#31)
020. Describe strategy as planned emergence for Japan railways (Power Point Slide #33) and for the adoption of Frappuccino by Starbucks (p.51; and Power Point Slides #32-#34)
021. How is the “rational decision making” (optimizing) model fundamentally different from the “satisficing decision-making model?” (Note: satisficing refers to doing “good enough” with no intent to optimizing: e.g., a decision maker may be happy to find “a needle in the haystack without seeking to find the sharpest needle in the haystack”) (Power Point Slides #35-#36)
022. Describe some biases in decision-making (Power Point Slide #37)
- *Escalating commitment*: Sometimes called “throwing good money after bad” because of the tendency of some people to justify a poor decision by trying to “double down” to make it work, rather than opting for the usual better choice to “cut your losses.” The United States extended involvement in the Vietnam War is an example. After ill-fated starts by Truman, Eisenhower, and Kennedy, President Lyndon Johnson and then President Richard Nixon kept sending drafted young men to their deaths in order to justify (honor?) the deaths of those who came before. Eventually with domestic rioting throughout the US, assassinations of President John Kennedy, Malcolm X, Martin Luther King and Bobby Kennedy among others – and a painful “generation gap” between young and old; the madness eventually stopped out of exhaustion from all the carnage (estimated at 2 million Vietnamese and 58,000 American lives). In short, if someone says to you that you are exhibiting escalating commitment, it is typically not a compliment.
  - *Prior hypothesis bias*: Sometimes people have a belief about how the world works, and even when evidence comes in to refute the hypothesis (an anomaly), people do not change their prior hypothesis. I experienced this problem as a teacher in my MBA classes in the early 1990s in which almost all of our MBA students believed that the path to achieving business success was getting high market share – that belief is not as strong today, but it still is there. Of the 16 Harvard cases I picked that semester in the early 1990s, eleven (11) were firms with the highest market share in the industry and one of the lowest economic performers in the industry. You might think that by the eight case I was “kicking a dead horse” in refuting the idea with so many “anomalies.” However, this dead horse still exhibited quite a powerful kick. At the end of the semester, I asked the class: “what determines high performance for the firm?” The first MBA answered ...“market share,” and others in the class agreed. It was then I learned my lesson well: *data are mute* --- they do NOT speak for themselves. No matter how much data you throw in front of people in your career, do not underestimate the “prior hypothesis bias.”
  - *Illusion of control*: The superstitious belief that you control things you do not. It is the “magical thinking” of the 10-year old in which the inner child still takes hold of adults. An example of illusion of control is that air traffic controllers would notice that when they commented to the pilot: “nice landing” the next time the pilot landed it was not as good. Further, when the air traffic controllers said to the pilot: “you missed the mark on that landing,” the next landing would be better. The air traffic controllers then obtained the mistaken belief that when they gave praise to pilots that the pilots became complacent, and when the air traffic controllers criticized the pilots, then the pilots became more alert and did better.

However, the more likely explanation of these events is “regression to the mean.” Consider a “normal (bell-shaped) distribution” from your statistics class: If one is on the right tail of the distribution as a pilot with the “perfect” landing, then whether anyone speaks to the pilot or not, the likelihood is that the next landing by that pilot will not be as good with almost 100% probability in this example. Conversely, if the pilot is on the left-tail of the distribution with the worst landing that this pilot ever had, then this pilot’s next landing has a 99.5% likelihood (or higher) of being better. In short, air traffic controllers were mistaking “regression to the mean” as something that they could control from their air traffic tower.

- *Reasoning by Analogy:* We all think by analogy. Asking: “what is it like?” is asking for an analogy between something we understand to get us started in understanding something we do not understand. However, sometimes the analogy takes over from the reality of the situation. Returning to the Vietnam example, there was political science policy concerned about the ‘domino theory’ (a theory of once one domino falls, all the others would fall). Thus if Vietnam turned communist, other countries one-by-one would turn communist. The visual in the mind of dominoes is a powerful one --- but there was, and is, no evidence that country politics are contagious like a virus. The domino theory is largely discredited today – but unfortunately, it ruled in US for at least two decades (in the 1950s and 1960s).
- *Representativeness:* This bias refers to making conclusions based on (very) small samples. A classic example is that of Sewell Avery. At the beginning of the Depression, J.P. Morgan asked Avery to turn around the failing Montgomery Ward and he succeeded in restoring its profitability by making huge changes. In 1936, *Fortune* magazine said that Sewell Avery was "generally held to be the No. 1 Chicago businessman." Nevertheless, because he experienced a depression in the US after World War I, he assumed (based on his sample of one (1) event) that the US would experience a depression after World War II. Consequently, in the mid-to-late 1940s he did not expand Montgomery Ward and thus failed to take advantage of the demand for durable goods, which cost Montgomery Ward prominence in the retail field. Sears became a powerful player in the postwar period to fill the vacuum left by Montgomery Ward.

023. What are some of the symptoms of Groupthink? (Power Point Slide #38). An example of groupthink was the “Bay of Pigs Invasion” into Cuba by the Kennedy administration (see details in *Wikipedia*). Given that our current President greatly dislikes folks disagreeing with him, he is extraordinarily vulnerable to groupthink. It is not even a question of if Trump’s “Bay of Pigs” will happen; it is a question of where and when.

024. Discuss “devil’s advocacy” and “dialectical inquiry” techniques that can address groupthink problems. How do the two techniques differ? (Power Point Slides #39-#40) Kennedy learned a lot from the Bay of Pigs Fiasco and used both techniques in his administration during the subsequent “Cuban Missile Crisis” (see details in *Wikipedia* --- it is the closest known incidence in which the US would have been involved in a nuclear war).

### **Power Point Set #3 (Chapter 3: External Analysis: Industry Structure, Competitive Forces, and Strategic Groups)**

025. Why do you think that Tesla’s market capitalization (i.e., share price times number of outstanding shares) is roughly 50% that of General Motors (GM), while GM’s revenues are more than fifty times larger than that of Tesla Motors? (pp. 65-66; p.95 and Power Point Slides #2-#6)

026. Describe the PESTEL framework for evaluating the impact of external factors on the firm (pp. 66-70, p.72 and Power Point Slides #7-#8)

027. Consider two PESTEL factors --- sociocultural and technological. Explain how each of these environmental factors contributed to the erosion of Blackberry’s undisputed dominance in the early 2000s in smartphones (p.71; Power Point Slides #9-#10)

028. Discuss Industry Analysis and Porter’s 5-Forces Analysis (pp. 72-83; Power Point Slides #13-#39; and #43)

029. Evaluate each of Porter's Five Forces Model within the airline industry: (1) Threat of entry; (2) bargaining power of suppliers; (3) bargaining power of buyers; (4) threat of substitutes; and (5) (price) rivalry among existing competitors. What is the predicted industry economic performance, based on this evaluation? (p.74)

030. Evaluate the Five Forces in the **soft-drink industry**. What is the predicted industry economic performance, based on this evaluation (see Cola Wars Continue Case)?

031. What is the SIXTH force? In what way was this omission a fundamental one to neglect? (p.89; Power Point Slides #44-#46)

032. Discuss the strategic group model of "intra-industry analysis" (pp. 90-93; Power Point Slides #47-#50)

033. Porter's 5-Forces Model is a "Mini-Structure-Conduct-Performance (S-C-P) Model" What is the S-C-P Model? (Power Point Slides #19-#20)

034. Provide a taxonomy of barriers to entry (Power Point Slides #25-#34)

035. What factors lead to the power of suppliers being high? (Power Point Slide #35)

036. What factors lead to the power of buyers being high? (Power Point Slide #36)

037. What factors lead to high price rivalry? (Power Point Slides #38-#39)

038. How can we test the S-C-P model, and what are the limitations of empirical testing? (Power Point Slides #51-#62)

#### **Power Point Set #4 (Chapter 4: Internal Analysis: Resources, Capabilities, and Core Competencies)**

039. If Beats Electronics' core competencies are indeed intangibles, such as marketing savvy, do you think these (intangible) core competencies will remain as valuable under Apple's ownership? Why or why not? (pp. 105-106; p.132; Power Points #2-#6)

040. What are core competencies? Provide some examples. (pp. 108-110; Power Point Slides #7-#10)

041. Describe Ghemawat's Strategy Framework on (Linkages of) Positioning-Organization-Resources & Capabilities (Power Point Slides #11-#14)

042. Describe the 2X2 of knowledge in terms of Levels and Types of Knowledge (Power Point Slide #15)

043. Discuss the links of core competencies, activities, and competitive advantage (p.109; Power Point Slide #16)

044. Discuss Canon's resources that lead to product diversification (Power Point Slide #18)

045. Discuss the differences between tangible and intangible Resources. Which type is more likely to lead to sustainable competitive advantage (consider Googleplex)? (pp. 111-112; Power Point Slides #19 and #21)

046. What are some indicators for measuring tangible and intangible resources? (Power Point Slide #20)

047. Discuss two critical resource dimensions of the resource-based view (RBV) –resource heterogeneity and resource immobility. (pp. 112-113; Power Point Slide #22)

048. Provide details concerning the VRIO decision tree for explaining and predicting sustainable competitive advantage (pp. 113-117; Power Point Slides #23-#27)

049. Discuss the “economic rent”-earning potential of resources and capabilities (Power Point Slide #28)
050. Based on the resource-based view and its framework of VRIO(N) – with N being “non- substitutable” (see Exhibit 4.5), explain the rise and fall of Groupon. (pp. 117-118; Power Point Slides #29-#30)
051. Discuss the concept of isolating mechanisms in terms of how path dependence, causal ambiguity, social complexity, and intellectual property protection are isolating mechanisms. (pp. 118-122; Power Point Slide #31)
052. Discuss the concepts of dynamic capabilities and core rigidities (pp. 122-123; Power Point Slide #34)
053. Currently IBM (and its clients) are facing three (technological) disruptions at once: (1) cloud computing; (2) systems of engagement (e.g., collaborating with Apple), and (3) big data and analytics. Evaluate IBM’s awareness, motivation, and capabilities (AMC) to master this three-pronged technology transformation. (pp. 123-124; Power Point Slides #35-#38)
054. Discuss the concepts of resource stocks and resource flows and its illustration through the bathtub metaphor (pp. 126-127; Power Point Slides #39-#40)

#### **Power Point Set #5 (Chapter 5: Competitive Advantage, Firm Performance, and Business Models)**

055. Microsoft’s new CEO, Satya Nadella, has made drastic changes to Microsoft’s strategy. What was Microsoft’s strategy before Nadella was appointed CEO? What is it now under his leadership? Do you agree that Nadella has formulated a promising strategy? Why or why not? (pp. 141-142; p.167; Power Point Slides #2-#6)
056. Discuss the (eventual) tradeoff of profitability and growth rate of the firm (Power Point Slide #9).
057. Review Apple and Microsoft (2014) “Drivers of Firm Performance” (pp. 143-147; Power Point Slide #10); Compare Apple’s and Blackberry’s drivers of firm profitability for **2011**. Calculate some key profitability, activity, leverage, liquidity, and market ratios for Apple and Blackberry --- compare these numbers to **2012** (see p.470) (Power Point Slides #13-#14)
058. Discuss some limitations of accounting data (pp. 147-148; Power Point Slides #17-#18).
059. A key idea for measuring firm performance is to “triangulate” (i.e., to use multiple measures of performance to evaluate the health of the organization). How does the Google vs. Microsoft comparison help illustrate this key idea? (Power Point Slides #20-#21)
060. What are some limitations of shareholder value creation as a measure of firm performance? (pp. 150-151; Power Point Slide #28)
061. Discuss the concepts of: (i) economic value creation; (ii) producer and consumer surplus; and (iii) opportunity costs (pp. 151-155; Power Point Slides #29-#35)
062. Discuss MVA, EVA, Tobin’s Q, and the Market Value of the Firm (Power Point #36).
063. Show how to calculate EVA (Power Point Slide #37).
064. Discuss the concept of sustainable competitive advantage (SCA) in terms of discounted cash flow (DCF) and NPV (Power Point Slides #39-#41)
065. What are some of the limitations of Present Value measures? (Power Point Slide #42-#43)

066. Describe the Balanced Scorecard and some of its advantages and disadvantages (pp. 156-159; Power Point Slides #44-#47)
067. Describe the Triple Bottom Line as an assessment of firm performance (pp. 159-160; Power Point Slide #48)
068. Consider the case of Interface as a global leader in modular carpet and sustainability. Do you think the next generation of business leaders will lead the way to more sustainable companies as the “new normal,” or do you think this case, was, is, and will be a rare occurrence in business? (p.161; Power Point Slides #49-#50)
069. What is a business model? Evaluate the business model of Airbnb as a first-mover in the peer-to-peer rental industry. What recommendations would you make to increase the likelihood of sustainable competitive advantage? (pp. 160-162; Power Points Slides #52-#54)
070. Describe the following seven business models and provide an example of each: [1] Razorblade model; [2] Subscription model; [3] Pay-as-you-go model; [4] Freemium model; [5] Wholesale model; [6] Agency model; and [7] Bundling model (pp. 163-164; Power Point Slides #55-#61)
071. Discuss the dynamic nature of business models, and how they can evolve over time (pp. 164-165; Power Point Slides #62-#63)
072. Provide a “cognitive map” of the relationships among Accounting, Economic, Finance, and Management measures of firm performance (Power Point Slide #64).

**Power Point Set #6 (Chapter 6: Business Strategy: Differentiation, Cost Leadership, and Blue Oceans)**

073. Consider Jet Blue’s value curve (Exhibit 6.10). What recommendations would you offer to JetBlue to strengthen its strategic profile? (pp. 175-176; p. 200; Power Point Slides #2-#6).
074. What is the definition of a business-level strategy? (Power Point Slide #8)
075. What are the key questions for “defining the business?” (p.177; Power Point Slide #9-#10)
076. What are two fundamental questions in business strategy and competitive advantage? (Power Point Slide #12)
077. When can market share generate and sustain a competitive advantage? (Power Point Slides #13-#15)
078. What factors make it difficult (and/or costly) for an entrant to duplicate an established firm’s competitive advantage? (Power Point Slide #16)
079. How does tacit knowledge help sustain competitive advantage? (Power Point Slide #17)
080. Discuss the generic and the focused business strategies, and provide examples for:
- Cost Leadership
  - Differentiation
  - Focused Cost Leadership
  - Focused Differentiation (pp.178-180; Power Point Slides #18-#22)
081. Describe how differentiation can lead to sustainable competitive advantage (pp. 180-183; Power Point Slides #24-#27); and what is the definition of a Differentiation Advantage? (Power Point Slide #28)

082. What are the cost drivers that lead to cost leadership? (pp. 183-190; Power Point Slides #30-#39)
083. Be prepared to do calculations concerning learning curves (Power Point Slides #40-#42)
084. Discuss lessons that Dr. Devi Shetty provides concerning: (1) cost leadership; (2) economies of scale and scope; (3) process innovation; and (4) a coherent activity system of low-cost value chain activities. (p.189; Power Point Slides #46-#47) (**HCCI case**)
085. Discuss the blue ocean strategy of combining differentiation and cost leadership, and provide some examples (pp. 194-200; Power Point Slides #52-#58)
086. Discuss how JCPenney under its (former) CEO, Ron Johnson, learned the hard way how difficult it is to change a firm's strategic position (p.198; Power Point Slide #59)
087. Does P&G's decision to slash its R&D spending – and cutting costs and jobs more generally – risk being “stuck in the middle?” Why or why not? What strategic position should P&G pursue? Which value and/or cost drivers would you focus on to improve P&G's profile? How would you go about implementing your recommended changes? (pp. 449-451; Power Point Slide #62)

**Power Point Set #7: (Chapter 7: Business Strategy: Innovation and Entrepreneurship)**

088. Netflix's growth in the United States seems to be maturing. What other services can Netflix offer that might further demand in the United States? International expansion appears to be a major growth opportunity for Netflix. Elaborate on the challenges Netflix faces going beyond the U.S. market. (pp. 209-210; pp. 242-243; Power Point Slides #3-#6).
089. What is the difference between invention and innovation? (pp. 213-214; Power Point Slides #11-#13)
090. The profitability of an innovation depends upon (1) the value of the innovation, and (2) the innovator's ability to appropriate the value of the innovation. Provide four factors that influence this appropriation ability. (Slide #18)
091. Describe five alternative strategies for exploiting innovation. Which typically has the biggest risk? (Power Point Slide #22)
092. There is no simple answer on whether it is better to be a leader or a follower when innovating. Provide an example in which the leader was successful and an example in which the follower was successful. (Power Point Slide #23)
093. What are “network externalities?” Provide an example. (Power Point Slide #25) --- describe Apple iPhone as an example of these network externalities or “network effects” (Power Point Slide #39)
094. Explain why VHS tapes (with an arguably inferior technology) won against Beta tapes (with an arguably superior technology) (Power Point Slide #26). What is the general principle to be learned if you are a manager competing with other firms to be the dominant design standard in the industry?
095. Wikipedia, through its open-source (crowdsourcing) model for content, disrupted the encyclopedia business (e.g., CD-based Encarta from Microsoft, and Britannica), thereby rendering a traditional business model obsolete. The founder of Wikipedia, Jimmy Wales, is a *social* entrepreneur who seeks to make the entire repository of human knowledge available to anyone, anywhere for free. If you were the founder of Wikipedia would you want to monetize the business? Why or why not? What are the benefits and costs of a for-profit versus non-profit business? (pp. 475-77; Power Point Slides #31-#33)

096. Explain why the QWERTY configuration of the keyboard is inferior. Then, explain the economic principle of why this inferior keyboard configuration persists up until now. (Power Point Slide #42)
097. Describe the concept of “crossing the chasm” and its application to the mobile phone industry (pp. 225-230; Power Point Slides #47-#53)
098. Describe the four types of innovation based on combining markets and technologies. Provide an example of each type --- i.e., (1) incremental innovation; (2) radical innovation; (3) architectural innovation; and (4) disruptive innovation (pp. 231-238; Power Point Slides #56-#64)
099. Explain why the **Nucor** case is an example of a disruptive technology (Power Point Slide #64)
100. Discuss the strategic logic of GE Healthcare, a leader in diagnostic devices, disrupting its own technology by developing an inexpensive, portable ultrasound device. (p.237; Power Point Slide #67).
101. Describe the business concept of the “long-tail.” Provide an example. (Power Point Slides #68-#70)
102. Compare and contrast closed vs. open innovation. What are the defining principles of closed innovation? What are the defining principles of open innovation? (pp. 238-241; Power Point Slides #71-#74)
103. What is the definition of “absorptive capacity?” How does it apply to R&D strategy? (Slides #75-#76)

**Power Point Set #8 (Chapter 8: Corporate Strategy: Vertical Integration and Diversification)**

104. amazon.com

- Amazon.com continues to spend billions on seemingly unrelated diversification efforts. Do you believe these efforts contribute to Amazon gaining and sustaining a competitive advantage?
- Amazon is now over 20 years old and makes over \$100 billion in annual revenues. As an investor, would it concern you that Amazon.com has yet to deliver economic profits?
- How much longer do you think investors will be patient with Jeff Bezos as he continues to pursue billion dollar diversification decisions? (pp. 253-255; pp. 283-284; Power Point Slides #2-#5)

105. What is the definition of corporate strategy? What “scope of the firm” issues are involved? What are the three key dimensions? (pp. 255-258; Power Point Slides #7-#8)
106. According to Oliver Williamson --- who shared the Nobel prize in economics for his pioneering work on transaction cost economics and the canonical problem of vertical integration ---in order to avoid confusion concerning the vertical coordination problem, what two questions needed to be kept separate (in order to avoid confusion on the subject)? (Power Point Slide #10).
107. Explain the following terms: (a) transaction cost economics; (b) transaction costs; (c) “make or buy” decisions (pp. 258-259; Power Point Slides #11-#13)
108. Discuss some of the potential and advantages of: (a) buy (using markets); and (b) make (using the vertically integrated firm). (pp. 259-261; Power Point Slide #14)
109. In terms of Williamson’s second question (see question #106 above), what are some alternatives that managers have on the “Make-or-buy continuum” (pp. 261-264; Power Point Slide #15)



110. Describe the following three types of potential contractual problems, which pose risk in undertaking cooperative (contractual) agreements or strategic alliances: (1) the adverse selection problem; (2) the moral hazard problem; and (3) the economic holdup problem (Power Point Slide #16)
111. What is the strategic logic for why Coca-Cola took a minority investment in Monster? (p.263; Power Point Slide #17)
112. Define the following terms and use a Figure to do so (from the point of view of a final-assembly manufacturer: (a) upstream (i.e., backward) vertical integration; and (b) downstream (i.e. forward) vertical integration (pp. 264-265; Power Point Slide #19).
113. Apply this vertical chain framework to HTC in the smartphone industry (pp. 266-267; Power Point Slide #20)
114. Using the concept of economic holdup (see question #110) above, explain why in the world of experience we typically see asset (site, physical, and human capital) specificity investments by managers leading to managers also deciding to fully vertically integrate. Illustrate your discussion for why, co-located coal plants and electric utility plants --- which in theory could be owned by two different companies --- are typically organized in one vertically-integrated firm (Power Point Slide #23).
115. What does (backward and/or forward) taper integration refer to within strategic management? (pp. 270-271; Power Point Slide #26)
116. Discuss the following types of diversification strategy: (a) single-business; (b) dominant business; (c) related diversification; and (d) unrelated diversification (pp. 273-275; Power Point Slide #29)
117. Tata's corporate strategy aspires to integrate different strategic business units, each with its own profit and loss responsibilities. Do you believe that Tata Group will be successful in implementing this corporate strategy? Why or why not? (p.276; Power Point Slides #30-#31)
118. Describe the "core competence – market matrix" and illustrate by as 2X2 Table (pp. 275-278; Power Point Slide #34)
119. What type of diversification strategy --- on average --- leads to superior firm-level economic performance? Why? (pp. 279-280; Power Point Slides #38-#39)
120. Describe the Boston Consulting Group (BCG) Growth-Share Matrix (pp. 280-282; Power Point Slide #40)
121. What does the concept of "knowledge exploration" fit on the BCG Matrix; and where does the concept of "knowledge exploitation" fit on the BCG Matrix? (Power Point Slide #43).
122. What are some implementation problems in achieving success in mergers & acquisitions (M&As)? (Power Point Slide #45)
123. Provide four attributes that typically result in effective acquisitions (Power Point Slide #46)
124. Explain how the "efficient market hypothesis" suggests that achieving sustainable competitive advantage (i.e., positive NPV) is difficult in M&As. Indeed, what is the predicted NPV equal to under the conditions of the efficient market? (Power Point Slide #47)
125. In a world of asymmetric information, the results could be better BUT they could be worse for the buyer. If it is worse for the buyer (i.e. negative NPV!) this is called a "winner's curse" (that is the winning bid was too high). Discuss the Quaker Oat's purchase of Snapple to illustrate the potential real-world magnitude of the problem. (Power Point Slide #48)

126. In terms of turning out better for the buyer, the buyer can come out ahead under three scenarios:

(1) Luck;

(2) The Buyer holds asymmetric information that is held neither by the Seller, nor by other potential Buyers (i.e., the Buyer buys the asset at a bargain price to get positive NPV); and

(3) The Buyer has a specific-synergy (i.e., a co-specialized asset with the Seller), in which case the Buyer can be the highest bidder, but because the value of the asset is worth more to that Buyer than any other buyer, the Buyer can still come out ahead. (Power Point Slide #49)

**Power Point Set #9 (Chapter 9: Corporate Strategy: Strategic Alliances and Mergers & Acquisitions)**

127. Given the build-borrow-or-buy framework (Exhibit 9.1), do you think Disney should pursue alternatives to acquisitions? Why or why not? Why do you think Disney was so successful with the Pixar and Marvel acquisitions, while other media interactions such as Sony's acquisition of Columbia Pictures or New Corp's acquisition of MySpace were much less successful? (pp. 295-299; p.316; Power Point Slides #2-#11)

128. IBM and Apple – long-time rivals – have formed a strategic alliance to create simple-to-use business productivity apps and to sell iPhones and iPads to corporate clients. Discuss how each company might benefit through this alliance. (p.301; Power Point Slides #17-#18)

129. What are the advantages of the (hostile takeover) Cadbury acquisition on the new \$37 billion Kraft Heinz merged firm? (p.312; Power Point Slides #33-#34)

**Power Point Set #9b: Competitive Dynamics: Real Options**

130. What is meant by the concepts of competitive dynamics and mutual interdependencies? (Power Point Slide #2)

131. Discuss the advantages and disadvantages of first mover and second-mover. (Power Point Slides #3-#6)

132. What three factors must be considered in cash flow analysis? (Power Point Slide #8)

133. Discuss four techniques for analyzing uncertainty. (Power Point Slide #10)

134. Provide a list of six types of real options, and provide an example for each (Power Point Slide #12)

135. Consider the Nucor case and apply the concepts of (a) the option value to wait (defer); (b) the option value to grow; and (c) the option value to abandon. (Power Point Slide #13; Nucor case)

136. Be prepared to calculate the option value of waiting. (Power Point Slides #14-#17)

**Power Point Set #9c: Game Theory and Strategy**

137. Describe an “Invisible Hand Game” (Power Point Slide #4)

138. Describe an “Assurance Game” (Power Point Slide #5)

139. Be prepared to solve a Prisoners' dilemma game. (Power Point Slide #6)

140. What is meant by a dominant strategy? What is meant by a dominant strategy equilibrium? (Power Point Slide #7)
141. Explain the various contexts in which a Prisoners' dilemma can occur. Discuss how Pepsi Restaurant's incentive system places the respective restaurant owner's in a Prisoners' dilemma. (Power Point Slide #8; Pepsi Restaurant case)
142. What is the relationship between a Nash equilibrium and a dominant strategy equilibrium? (Power Point Slide #9)
143. Be prepared to calculate a Nash equilibrium (Power Point Slides #10-#13)
144. Show how a unilateral sunk cost commitment can lead to competitive advantage. (Power Point Slides #14-#16)
145. Show how a mutual sunk cost commitment can solve a Prisoners' dilemma game and support exchange. (Power Point Slides #17-20)

**Power Point Set #10 (Chapter 10: Global Strategy: Competing Around the World)**

146. Both a rich developed country (the United States) and emerging economies (China and Russia) are the fastest growing international markets for IKEA. What challenges does this pose for how IKEA ought to compete across the globe? (pp. 327-328; p. 353; Power Point Slides #3-#6).
147. What is globalization and how is it made possible? (pp. 329-330; Power Point Slide #8)
148. Consider the competitive pressures on international routes that Gulf Airlines --- such as Emirates, Etihad Airways, and Qatar Airlines --- will place on US legacy carriers such as Delta, American, and United. In your judgment, is it a major threat? (p. 334; Power Point Slides #17-#18).
149. What are some of the advantages to go global? (pp. 333-336; Power Point Slides #16; #19-#20)
150. What are some of the disadvantages of going global? (pp. 336-338; Power Point Slides #21-#22; #24-#25)
151. Why did Wal-mart's recipe for success that worked so well domestically not work in Germany? (p.337; Power Point Slide #23)
153. How do multinational enterprises (MNEs) enter foreign markets (i.e., what are the MNE entry mode alternatives)? (pp. 342-343; Power Point Slides #32-#33)
154. What are four alternatives based on the integration-responsiveness framework. Provide an example of each. (pp. 343-349; Power Point Slides #35-#42)
155. Explain the Diamond Model of National Competitive Advantage (pp. 350-352; Power Point Slides #45-#49)
156. How important are non-US sales to General Motors? What implications does this have for GM CEO Mary Barra and her top management team, as they plan GM's global and business strategy? Consider the integration-response framework (see Exhibit 10.6) to inform their global strategy (pp. 492-493; Power Point Slides #53-#54)
157. Apply the integration-responsiveness framework (Exhibit 10.6) to determine which global strategy position you would recommend that Alibaba should pursue when attempting to create a strategic foothold in the United States. (pp. 509-512; Power Point Slide #55)

### **Power Point Set #11 (Chapter 11: Organizational Design: Structure, Culture, and Control)**

158. What is a holacracy and how does this organizational form differ from structures that are more traditional? Why is Zappos experiencing significant implementation problems with holacracy? What else could Zappos do to implement the new organizational structure more effectively? (pp. 365-366; p.382; Power Point Slides #3-#7)
159. What are the basic tasks of organization? (Power Point Slide #9)
160. What is the connection between strategy and organization structure (Power Point Slide #10; and #36)
161. Explain the choice processes in the Carnegie School Model (Power Point Slide #11)
162. What are the sources of bureaucratic costs? (Power Point Slide #12)
163. How did problems in Microsoft's structure and culture contribute to strategic mistakes concerning their search engine decisions? (p. 370; Power Point Slide #15)
164. Describe some of the key elements of organizational structure. (pp. 371-372; Power Point Slides #16-#20)
165. What are some differences between mechanistic and organic organization? (pp. 372-374; Power Point Slides #21 and #25)
166. What management lessons can be taken from W.L. Gore & Associates (informal) organization structure? (Power Point Slides #22-#24 p. 374)
167. Describe the multidivisional organization and when it is needed. (pp. 377-381; Power Point Slides #34-#40)
168. Why is the multidivisional organization regarded as evolutionary stable? (Power Point Slides #41-#44)
169. What are the characteristics of an effective divisionalization? (Power Slide #45)
170. What are the dysfunctional aspects of a multidivisional? (Power Point Slide #46)
171. Describe a matrix organization. What are its advantages and disadvantages? (pp. 381-384; Power Point Slides #47-#51)

### **Power Point Set #12: Corporate Governance and Business Ethics**

172. Several lawsuits are under way to determine if Uber drivers are independent contractors or employees. The drivers bringing these lawsuits maintain that they are employees, and should be treated accordingly. Such treatment would include reimbursements for expenses such as gas or car maintenance that they currently pay out of pocket. How do you view the *sharing economy* with companies such as Uber, Airbnb (hospitality), TaskRabbit (house cleaning and odd jobs)? Do you think that drivers for Uber are independent contractors or employees? (pp. 401-402; p.419; Power Point Slides #3-#5)
173. Describe four characteristics of the public stock company. (pp. 403-405; Power Point Slide #7)
174. Provide the "hierarchy of authority" view of the publicly traded corporation that dominates many current textbooks (p. 404; Power Point Slide #8)
175. Provide the current minority view of the publicly traded corporation offered by legal scholars Margaret Blair and Lynn Stout (Power Point Slide #9)

176. Provide the contrasting views of the purpose of the corporation from Milton Friedman, and from Michael Porter (pp. 405-406; Power Point Slides #10-#14)
177. Describe the pyramid of corporate social responsibility, in terms of economic, legal, ethical, and philanthropic responsibilities (Power Point Slide #15)
178. Define the concepts of (a) “corporate governance” and (b) “agency costs” (Power Point Slide #19)
179. Discuss “principal-agent problems” and agency theory (pp. 407-409; Power Point Slides #21-#24)
180. What “institutions of capitalism” lessen the problem of ownership and control? (pp. 409-414; Power Point Slides #25-#31)
181. What are the advantages of having a more diverse board of directors in US companies such as General Electric (GE)? Why are so few companies as diverse as GE? (p.411; Power Point Slide #32)
182. Did Goldman Sachs and the “Fabulous Fab” violate its fiduciary responsibility and commit securities fraud? Why or why not? (p.416; Power Point Slide #37)

**Cases:**

183. Be prepared to provide a Value Chain analysis for **Zara**.
184. Apply the following concepts to **Apple Inc.**
- Innovation
  - Smartphones and the industry life-cycle in developed economies and in emerging economies in 2016
  - Leveraging network externalities (network effects) to drive demand for Apple’s iPhone
  - Analyze the Mobile Phone Industry in terms of “Crossing the Chasm”
185. Apply the integration-responsiveness framework to **Haier**. Which strategy should Haier pursue, and why? What organizational structure is needed to implement this strategy?
186. Apply the theory of transaction cost economics to the Carts of Colorado decision in the **Pepsi Restaurants** case. What would the theory recommend? What happened initially? What finally happened?
187. Apply the BCG Matrix (and exploitation and exploration logic) to the California Pizza Kitchen decision in the Pepsi Restaurants case. What happened initially? What finally happened?
188. Apply the concept of Economic Value Added (EVA) to the corporate decision of whether Pepsi Co. should divest of its restaurants. What happened? What was the economic outcome following the decision?
189. What lessons on innovation can be taken from the **Mobileye** case?
190. What value chain lessons can be learned from the **LEGO** case? What lessons from the Zara value chain case would be beneficial for LEGO’s managers?