

# STRATEGY *Monthly*

## NEWSLETTER FOR EDUCATORS



February 2009  
Volume 1—Issue 1

### January Highlights

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- Updating yourself on latest research (p4)
- Cases for online discussion (p5)
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### Editorial

#### New Year—New Tools for the Discerning Educator

McGraw-Hill/Irwin is pleased to bring you this latest in its educator series of newsletters. Realizing the importance of current materials to the overall educational experience, this monthly newsletter will cover timely topics for both instructional purposes and for your personal edification.

Each month, the primary focus will be on a topic of strategic management which corresponds to the five textbooks indicated in the [Content Guide\\*](#) on the last page of the newsletter.

- Current events are featured under [News Items](#).
- Activities for both the classroom and online appear under [Clicker Quiz](#), [News](#), [Research Spotlight](#), [Short Cases](#), [Tech Bits](#), [Upcoming Events](#) and [Video Clips](#).
- [Upcoming Events](#) highlights events of overall strategic management interest and can be followed online for further use in teaching.
- [Research Spotlight](#) illuminates articles of interest in current academic journals which you might find useful in illustrating strategy principles in your courses.
- [Tech Bits](#) provides information on new tools and applications which can be incorporated into your course management systems, your blogs and wikis, and perhaps your own daily routine.

This is a service for you, the discerning educator. As you browse through the newsletter, please jot down your ideas and suggestions for the next edition. You can reach the newsletter editor through Anke Weekes, our Senior Marketing Manager ([Anke\\_weekes@mcgraw-hill.com](mailto:Anke_weekes@mcgraw-hill.com)). In the meantime, we hope you enjoy this first edition as we begin a New Year full of expectations for positive change in the world we live in.

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*University of California-Riverside*

*Anke Weekes, Senior Marketing Manager*  
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\* Be sure to check the Internet hyperlinks as many are date sensitive and may have changed since this newsletter was published.



## Clicker Quiz

Clickers (personal response systems) can assist educators to target student understanding of concepts in smaller classes as well as large ones. Edna Ross of the University of Louisville advises in a recent issue of [Campus Technology](#) that she uses clickers to understand student learning from end of chapter questions, supplemental materials and sensitive materials in which individual learners might not want to be identified. She also uses clickers to encourage classroom conversation on topics by eliciting the student interest in peer opinion.

(Source: Adapted from <http://campustechnology.com/Articles/2008/09/Using-Classroom-Clickers-To-Engage-Every-Student.aspx>)

### Activity

As a test of this technology for your own class, try polling the students with the following questions on the [DeBeers video clip](#) as it relates to ethics and branding:

1. Do you think that purchases of the new “Forever” brand really will be based upon the focus on ethical standards?
2. Do you think that purchases of the new “Forever” brand really will be based upon the perceived improved quality standards?
3. Do you believe that both ethical and quality standards must be tied together in the new “Forever” branding in order for potential customers to increase their purchasing?

Based upon the collected responses, further classroom discussion might revolve around the characteristics of customer as defined in [Porter’s Five Forces Framework for understanding competitive strategy](#).

#### Topics covered:

- Corporate level
- Ethics
- External environment
- Internal environment
- International focus
- Strategy alternatives



## Educator Comments

In future editions of this newsletter, comments you wish to share with your colleagues will appear in this section. This month, Professor John Haleblan of the University of California Riverside’s Anderson Graduate School of Management reviewed the proposed format. He suggested that video clips of interviews with CEOs would be useful for his classes. We included such content this month with the interview of [William Lauder, CEO of Estée Lauder Inc.](#) Additionally, he advised that he would find it useful to have highlighted research articles. Under [Research Spotlight](#), we provided two such articles: one from Harvard Business Review and the other from Strategic Management Journal.



## News Items



### Managing innovation as a strategic choice

Innovation management is being touted throughout the news as key to a firm's economic survival. The strategic choice of developing internal or external innovation programs through alliances may become more important as access to funding tightens. The three news articles below illustrate different ways companies in the USA and abroad are employing innovation management in their strategic plans.

(Source: Adapted from <http://www.iht.com/articles/ap/2008/12/12/business/EU-Germany-Bayer.php>; [http://www.innovation.ca/en/news?news\\_id=18](http://www.innovation.ca/en/news?news_id=18); and [http://www.pharmaceutical-business-review.com/article\\_news.asp?guid=43C08D88-1753-4661-80F4-18E2D1887C0F](http://www.pharmaceutical-business-review.com/article_news.asp?guid=43C08D88-1753-4661-80F4-18E2D1887C0F)

### Activity

Create a discussion forum in class or on your course management system.

1. Do you think alliance development for innovation is key to economic survival? Provide concrete examples; debate with your colleagues.
2. Is the development of external innovation programs important for economic survival. Develop your discussion with concrete examples.
3. Should companies be turning to government for assistance in the realization of their corporate strategy? Illustrate with examples.



#### Topics Covered:

- Business level
- Corporate level
- External evaluation
- Innovation
- Internal evaluation
- International focus
- Strategy alternatives

### Bayer AG

The pharmaceutical and chemical industry is one which traditionally has managed its innovation pipeline carefully. In a recent news article by the Associated Press, "[Bayer to increase R&D spending above euro 2.8B](#)," it was noted that Bayer AG intended to increase its research and development spending, but was expecting the government to provide tax breaks to incentivize such spending.

### Canadian Foundation for Innovation

In Canada, during the same time frame, the Canadian Foundation for Innovation (CFI) announced a \$45M investment to provide infrastructure designed to attract and retain workers who drive innovation through university research. The CFI is an independent corporation created by the Canadian government to assist Canadian educational and other non-profit institutions to conduct research which will benefit Canadians.

### OmegaGenesis—Mayo Clinic R&D Collaboration

As an example of external R&D collaboration for long term growth, [OmegaGenesis](#) and [Mayo Clinic](#) announced in December 2008 the creation of formal ties to both improve product development and to further fundamental research for new marketplace applications. [OmegaGenesis](#) is a young, venture funded bio-technology firm which was founded to market products resulting from Mayo Clinic core research. [Mayo Clinic](#) is a non-profit medical practice which includes medical research and education. Laboratory and clinical trials are conducted through its schools.



## Research Spotlight



### Topics Covered:

- Corporate level
- External evaluation
- Internal evaluation
- Leadership & Governance
- Strategic alternatives
- Execution & Control

### Michael E. Porter

Michel E. Porter's framework for analyzing industry competition, "The Five Forces Model of Industry Competition," has been an underlying strategic evaluation concept since it was first introduced in the Harvard Business Review in 1979\*. In a recent Harvard Business Review article entitled "The five competitive forces that shape strategy," Porter reaffirms and updates his earlier article with additional insight into the correct application of his framework to strategic analysis. Tom Stewart, Editor and Managing Director of the Harvard Business Review, interviews Porter in this [HBR Porter video clip](#).

\*Porter, M.E. (1979). How competitive forces shape strategy. *Harvard Business Review*, March/April, 137-45.

(Source: Adapted from <http://hbr.harvardbusiness.org/2008/01/the-five-competitive-forces-that-shape-strategy/ar/1>)

### Activity

After reviewing the [HBR video clip](#) on Michael Porter, ask students to provide concrete examples of how to apply the theory to current situations.

1. Open a discussion forum on your course management system
2. Assign individual written conclusions to be presented as position papers.



### Desmond Ng, Randall Westgren, and Steven Sonka

Understanding competitors is a key element in Porter's "Five Forces Framework." Who determines and defines the correct competitor map is an important question for managers, as it can lead to poor strategic analyses, choices and outcomes. In a recent article in the Strategic Management Journal\*, [Ng et al. \(2008\)](#), discuss the sources and characteristics of competitive blind spots. The authors argue that competition can be viewed differently by members of a value chain. Therefore, real differences may not be clear to management due to the effects of blind spots in their interpretation. This is based upon the authors' belief that overconfidence biases lead managers to take a "self-centered" view of competition, thereby blinding them from seeing the competitive realities from other points of view.

As a first attempt to validate their model, in 2002 they conducted a survey in the swine genetics market in which they investigated three stakeholder groups in the value chain: a focal swine genetics company, its downstream customers, and its intermediary customers. They were interested in the differences in perceptions of competition characteristics by those in the value chain and those in the top management team of the swine genetics company.

Their conclusions suggest that further studies into the understanding of competition identification, through analysis of the value chain participants, is justified. It should assist with a better evaluation of the fundamental perceptions of the top management team relative to their own overconfidence biases and self-centered views of competition.

\* Ng, D., Westgren, R., & Sonka, S. (2008). Competitive blind spots in an institutional field. *Strategic Management Journal*, DOI 10.1002/smj.741.

(Source: Adapted from <http://www3.interscience.wiley.com/journal/121528360/abstract?CRETRY=1&SRETRY=0>)



## Short Cases



### Topics Covered:

- Corporate level
- Execution & Control
- External evaluation
- Internal evaluation
- Leadership & Governance
- Strategy alternatives

## Circuit City enters Chapter 11—Best Buy stumbles

The consumer electronics retailing industry normally expects its largest sales volume of the year to occur during the last quarter. In 2008, heightened competitive rivalry fueled by dropping consumer confidence in the overall economy led to Circuit City Stores Inc. filing for bankruptcy protection under [Chapter 11](#). As of the end of the year, its attempts to auction leases on at least 154 of its stores were unsuccessful.

Best Buy Co., the major competitor, experienced a **77% drop in third** quarter profits. It responded by offering voluntary severance packages to most of its 4,000 corporate employees. In fact, it appears that in light of the marketplace uncertainty, consumers are changing their spending behavior.

As consumers slow their propensity for purchasing, Best Buy Co. has found itself in the unusual position of not being able to capture increased market share from the Circuit City Stores Inc. bankruptcy. Now Best Buy Co. is faced with considering how to adjust its business model over and above the defensive strategic choices of cost reduction.

(Source: Adapted from the websites [www.bestbuy.com](http://www.bestbuy.com) and [www.circuitcity.com](http://www.circuitcity.com))



### Activity

1. Using [Porter's Five Forces of Competitive Strategy Framework](#), analyze the consumer electronics retailing industry as of the end of 2008.
2. Looking specifically at Best Buy Co., analyze the company's competitive advantage using Porter's model of Competitive Advantage (overall cost leadership, differentiation, and focus.)
3. What kind of strategic alternatives could Best Buy consider? Justify your opinion.

Additional information can be found online for [Best Buy Co.](#) and [Circuit City Stores Inc.](#)



## Tech Bits

### Topics Covered:

- Execution & Control
- Strategy Alternatives

## Getting started with Cloud Computing

Have you been racing around airport terminals lately, frantically lugging along that impossibly small carry-on in desperate hopes of making it to the next conference with everything you might need while out of your office? Did you get to your destination, only to realize that your files were on your desktop computer, or on that laptop you left at home, or worse yet, on the office server which is down for service? Were your colleagues still working on the data analysis when you left and now you need those results for your conference?

Cloud computing is a virtual solution to some of our “left at home” anxieties. Web browsers can connect us to our files, software applications, social networks, and the all important research data which is too voluminous to carry in paper form and too large in terms of bytes to store directly on our mobile phones and netbooks.

Many solutions to many problems are cropping up regularly on the Cloud. Key to most of our needs is easily accessible, large data storage space which is secure and for which we can control access. An example of an easy-to-use service is that provided by [Dropbox](#), a 2007 Silicon Valley venture capital funded business. For further information on competitive offers, visit the [CrunchBase](#) review by [TechCrunch](#).



(Source: Adapted from websites [www.techcrunch.com](#), [www.crunchbase.com](#), and [www.getdropbox.com](#))

## In the blogs: keeping up to date with you



In [Guy Kawasaki's December 2, 2008 blog](#), he addresses the use of yet another of those “building virtual community” tools which seem to have great student traction. “Twitter as a Twool” is an interesting discussion of how to market offers for free, using the Internet, without having to open up your email box to do so. While this might be one more gadget along the Internet way, educators could use this tool to communicate with their students without having to be “always on” or in the classroom. You change the very brief message as often as you like. You can push it to certain people.

(Source: Adapted from <http://blog.guykawasaki.com/2008/12/how-to-use-twit.html>)

### Activity

1. Think about that strategy concept you presented this week and the reaction you got from the audience. Use Twitter to communicate another point you wanted to make, but ran out of time.
2. In fact, why not have several accounts, so you can have different identities and audiences.



## Video Clips



Video clips provide opportunities for educators to reinforce concepts. A clip collection assists with providing current examples of concepts in action. As the 2009 New Year begins, the world economic situation appears to be dismal at best. Yet, there are some industries which believe that they may skirt the difficulties. How are they doing it? Is there something in their strategic analysis which comforts them in their decisions?

(Source: Adapted from <http://www.cnn.com/id/15840232?video=949265412&play=1> and [http://feedroom.businessweek.com/?fr\\_story=7173e058252bd70266fe35ae3efa7d0cb57c46cc&rf=bm](http://feedroom.businessweek.com/?fr_story=7173e058252bd70266fe35ae3efa7d0cb57c46cc&rf=bm) )

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- Corporate level
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- Internal evaluation
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- Leadership & Governance
- Strategy alternatives

### David Lamb, DeBeers Group Marketing Director

The precious stone industry has weathered its own difficulties in the past. DeBeers' Central Selling Organization controlled the world's supply of diamonds, but this exposed the company to brand imaging problems when African mining labor disputes led to rival armies financing their military operations through the sale of the "conflict gems" they mined. Watch [David Lamb from De Beers Group Marketing](#) as he spoke to CNBC on December 3, 2008.

### William Lauder, CEO Estée Lauder Inc.

In the luxury industry, repercussions from the 2008 world economic crisis are expected to be significant. During this difficult time, watch an interview conducted with [William Lauder, CEO Estée Lauder Inc.](#), grandson of the founder, in which he discusses the challenges he faces as the incoming CEO.

## Upcoming Events



### Davos 2009: World Economic Forum Annual Meeting

January 28- February 1, 2009 9:00am – 6 pm

Davos Congress Center—Davos, Switzerland

This important world forum conference will focus on “managing the current world crisis and shaping the entire post-crisis agenda from economic reform to climate change.” Invited participants include heads of state and government, business leaders, NGOs, Trade Unions, and subject matter experts.

(Adapted from [www.weforum.org](http://www.weforum.org))



### Topics Covered:

- Corporate level
- Execution/Control
- External evaluation
- International focus
- Leadership & Governance

## Activity

This year, you can participate in the discussions on:

-  [YouTube](#)
 [Facebook](#)
 [MySpace](#)
 [Twitter](#)



**Content Guide** 

Section/Concept	Clicker quiz	News items	Research spotlight	Short cases	Tech bits	Video clips	Events
Business level							
Corporate level							
Ethics							
Execution & control							
External evaluation							
Innovation							
Internal evaluation							
International focus							
Leadership & governance							
Strategy alternatives							

\* Be sure to check the Internet hyperlinks as many are date sensitive and may have changed since this newsletter was published.

**This newsletter supports the following strategic management textbooks.**



Thompson, A., Strickland, A. , & Gamble, J. (2008). *Crafting and executing strategy (16<sup>th</sup> ed.)*. NY, NY: McGraw-Hill/Irwin.



Dess, G., Lumpkin, G. & Eisner, A. (2008). *Strategic management (4th ed.)*. New York, NY: McGraw-Hill/Irwin.



Ketchen, D., & Eisner, A. (2008). *Strategy: 2008-2009*. New York, NY: McGraw-Hill/Irwin.



Gamble, J., & Thompson, A. (2009). *Essentials of strategic management: The quest for competitive advantage*. New York, NY: McGraw-Hill/Irwin.



Pearce, J., & Robinson, R. (2009). *Strategic Management (11<sup>th</sup> ed.)*. New York, NY: McGraw-Hill/Irwin.

Please go to [www.mhhe.com](http://www.mhhe.com) for a complete list of textbooks offered by McGraw-Hill/Irwin.



**Have Questions?**

For questions about *Strategy Monthly* please contact [anke\\_weekes@mcgraw-hill.com](mailto:anke_weekes@mcgraw-hill.com).  
 For questions regarding course resources contact your local McGraw-Hill/Irwin representative.

