

**ADVANCED TOPICS IN STRATEGIC MANAGEMENT:  
BUSINESS DEVELOPMENT**

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# **ADVANCED TOPICS IN STRATEGIC MANAGEMENT: BUSINESS DEVELOPMENT**

**Spring 2004**

## **Course Overview**

This advanced topics course extends the range of material covered in strategy courses for those students who desire additional coverage of issues in strategic management. Many of the topics deal with business development. The course addresses several sorts of questions in business development. Which markets should we enter? Do we have the capabilities to enter? If not, can we develop these capabilities, and how? How do we acquire and manage the necessary knowledge? Should we exit some markets and when?

To address these questions, the course material includes market entry strategies, dynamic capabilities for change, knowledge management, strategic alliances, and market exit. The class sessions will include case analyses, student discussion, and lectures. Strong student involvement during the class sessions will be an integral part of the course.

The issues, concepts, and frameworks in the course should be helpful to anyone who deals with strategic issues. General managers, consultants, investment analysts, managers in high-technology companies, investment bankers, strategic planners, and brand managers all face strategic issues of the sort covered in this course.

## **Course Requirements and Grading**

### ***Class Preparation***

One of the important requirements for this course is thorough preparation and analysis of the assigned reading material and cases, as well as active participation in the classroom.

### ***Course Materials***

All of the course materials are in the course pack or in materials that will be provided by the instructor during the quarter. They include articles in leading management publications as well as excerpts from a strategy textbook. In case you are interested in purchasing the textbook on your own, here is the information:

Robert M. Grant. 2002. Contemporary Strategy Analysis: Concepts, Techniques, Applications, 4<sup>th</sup> ed., Malden, MA: Basil Blackwell Publishers.

To maximize your learning from the course, several sessions will be devoted to advanced topics which students in the class indicate they would like to learn more about. Thus, there will be additional course materials made available partway through the course.

### ***Grading***

There are two graded components of the course:

- 1) Class Participation
- 2) One of the following (your choice):
  - a. Two in-class presentations (group)
  - b. Take-home final exam (individual)
  - c. Final project (group or individual)

I do not use fixed percentages across these two categories in assigning course grades. The in-class group presentations will be short (10-15 minutes plus Q&A) and tied to the subject matter for the class sessions. The presentations can include analyses of companies in which you are interested, updates of cases used in class, and discussion of additional strategic frameworks relevant to the case for the day. The final exam is cumulative and is designed to be a fair test of your comprehension of the ideas discussed in the classes. The best way to prepare for the final is to prepare carefully for each of the classes that precede it. The final project involves a paper (15-20 pages) on a company or strategic issue that interests you and to which you can apply material from the course.

### ***Class Participation***

My expectation is that you will come to class having already thought through the assigned material. In addition to regular class participation, there will be some group in-class presentations about companies and industries that will require you to do research in addition to the assigned readings. Participation in class allows you to test out and probe your ideas, in order to help both your learning and that of your peers. Effective participation is accomplished by focused comments, avoidance of repetition of case facts, and comments that push forward our thinking on an issue or problem. Quality, not quantity, is emphasized in this area.

### **Office Hours**

My office hours are Monday from 3-5 pm. You can also make an appointment to see me at other times during the week by contacting me directly via email, phone, or at the end of class. In an emergency, my home phone number is 603-643-4117.

## **Tuck Honor Code and Laptop Policy**

The Tuck Honor Code applies to this course. The following statements should help define its role in this course:

The final exam must reflect your individual effort only.

This course adheres to the Tuck policy on laptop usage during class time. In order to promote class discussion and participation without distractions, all laptops should remain closed during class time unless you are taking notes on the discussion or referring to your previously prepared notes on the day's material.

## **Miscellaneous**

Students with learning disabilities or other special needs should contact me at the beginning of the course to arrange for any accommodations that may be necessary.

A copy of all Powerpoint slides that I use in class will be available in the course folder on the Tuck network following each class session.

## **Course Outline**

### **Session 1      Thursday March 25**

Topic:            Course Introduction

Reading:        Grant, “New Directions in Strategic Thinking,” pp. 512-519, 524-526.  
Mintzberg, H. 1994. “The Rise and Fall of Strategic Planning,”  
*Harvard Business Review* (Reprint 94107).

Study Questions:

1. Come prepared to discuss the issues in the reading, including with examples of companies with which you are familiar.
2. Come prepared to discuss topics which you would like to study in this course, in addition to the topics already in the syllabus.

### **Dynamic Capabilities**

Dynamic capabilities enable companies to build, integrate, and reconfigure capabilities needed for market entry and for strategic adaptation more generally. Three sessions focus on dynamic capabilities and business development.

### **Session 2      Friday March 26**

Topic:            What is Business Development?

Reading:        Teece, Pisano, and Shuen, 1997, “Dynamic Capabilities and Strategic Management,” *Strategic Management Journal*.

Case:            NeoPets, Inc. (HBS #9-802-100)

Study Questions:

1. What business development issues confront NeoPets? What options do they have to deal with these issues? What would you recommend and why?
2. What sorts of dynamic capabilities does NeoPets require going forward?

**NOTE: SPECIAL CLASS SESSION ON FRIDAY THIS WEEK FOR VISITING EXECUTIVE.**

**Session 3      Wednesday March 31**

Topic:            Dynamic Capabilities in the Pharmaceutical Industry

Reading:        Grant, pp. 333-338.

Case:            The Pharmaceutical Industry in the 1990s (HBS #9-796-058)

Study Questions:

1. How do firms make (so much) money in this industry?
2. What are the most important factors and why?
3. What role do dynamic capabilities play in this industry? What are the key positions, processes and paths? How do they affect the success of pharmaceutical companies?

**Session 4      Thursday April 1**

Topic:            Dynamic Capabilities and the Creation of New Businesses

Reading:        Pharmaceutical Executive article on Genzyme.

Case:            We will view a video on Genzyme during class.

Study Questions:

1. What were the key factors that enabled Genzyme to succeed when so many other biotechnology companies have failed?
2. Compare Genzyme's strategy to that of a typical Big Pharma company. What are the similarities and differences? What do you learn from this comparison?
3. What can we learn from Genzyme's experience?

**Session 5      Friday April 2 (10:15 – 11:45 am)**

**SPECIAL SESSION--VISITING EXECUTIVE**

**\*\*\*\*\*Class with Scott O'Hare, Vice President, Dell Computer\*\*\*\*\***

**Session 6      Wednesday April 7**

Topic:            Entrepreneurial Market Entry and Competitive Advantage

Reading:        R. Rumelt, “Towards a Strategic Theory of the Firm.”

Case:            The Murrayhill Company (A)

Study Questions:

1. Read the Rumelt article beginning on page 560. Try to understand the key arguments. Don't worry about the math. In particular, consider how resource heterogeneity affects entrepreneurship and new entry, what causal ambiguity implies about the success of entrepreneurial entry, and why isolating mechanisms are important to post-entry success. We will discuss these issues in class.
2. Why has Murrayhill had no direct competition since its founding in 1997? To what extent do causal ambiguity and isolating mechanisms explain Murrayhill's success? Be specific about the sources of the causal ambiguity and about what the specific isolating mechanisms are. What other factors explain Murrayhill's success?
3. Should Murrayhill expect significant new entry in its market or not? Can new entrants harm Murrayhill's strategic position and profitability? Consider how strong Murrayhill's isolating mechanisms are in answering this question.
4. Should Murrayhill enter any or all of the three markets described at the end of the case? What issues should Murrayhill evaluate in weighing the potential opportunities and risks of entry?

**Strategies for Market Entry and Exit**

Established firms often enter markets via internal growth or acquisitions. The next four sessions deal with market entry and exit decisions, which often are linked.

**Session 7      Thursday April 8**

Topic:            Replication Strategies and Geographic Market Entry

Reading:        Szulanski and Winter, 2002, “Getting it Right the Second Time,”  
*Harvard Business Review*, January: 62-69. (HBR Reprint R0201E)

Case:            Articles on Starbucks.  
Starbucks Corporation (A) (in Robert M. Grant and Kent E. Neupert,  
Cases in Contemporary Strategy Analysis, 2<sup>nd</sup> ed., Blackwell Publishers)

Study Questions: (see next page)

1. Why has Starbucks' replication strategy worked well so far? To what extent have the different elements of Starbucks' strategy followed the prescriptions in the reading?
2. Should Starbucks continue to expand both nationally and internationally? Why or why not?
3. Come prepared to discuss other examples of replication strategies with which you are familiar.

**Session 8      Wednesday April 14**

Topic:            Diversified Product-Market Entry: How Far is Too Far?

Readings:      C. Montgomery and B. Wernerfelt, "Diversification, Ricardian Rents, and Tobin's  $q$ ," RAND Journal of Economics, 1988, pp. 623-626 plus figure 2 on page 627 ONLY.  
                       "The CEO of HipHop," Business Week, October, 27, 2003, pp. 90-98.  
                       General Electric Business Directory (from [www.ge.com](http://www.ge.com)). For additional, information, you can consult the GE website.

Study Questions:

1. How do replication strategies discussed in the previous class fit into the template for diversified entry in the article on "Diversification, Ricardian rents, and Tobin's  $q$ ?" Would you expect these strategies to generate high rents or not?
2. Has Rush Communications diversified into markets that would be considered "close" according to the article on "Diversification, Ricardian rents, and Tobin's  $q$ " (see page 625 of the article)? Does Rush Communications have "specific" or "general" resources (also see page 625)?
3. Based on your analysis in question 2, does Rush Communications have a diversification strategy that would be expected to generate rents? If so, is this rent-generation sustainable? What recommendations do you have for the company?
4. Evaluate General Electric's diversification strategy in light of the article on "Diversification, Ricardian rents, and Tobin's  $q$ ." What recommendations do you have for the company?

**Presentation option:** Other company example(s) involving the issue of "distance" in diversified product-market entry.

**Session 9      Thursday April 15**

Topic:            Patching Strategies

Reading:        Eisenhardt and Brown, 1999, “Patching: Restitching Business Portfolios in Dynamic Environments,” *Harvard Business Review* (HBR Reprint 99303)

Case:            Johnson & Johnson (A) (HBS #9-384-053)  
                     Johnson & Johnson in the 1990s (HBS #9-393-001)

Study Questions:

1. Does decentralization make sense for this company and the businesses it is in? Why or why not?
2. Under what conditions does patching make sense? What are the pros and cons of this approach?
3. Would Johnson & Johnson’s approach to market entry and exit work well for other companies? Why or why not?

**Presentation:**

1. Michelle and Jack. Update on J&J.

**Session 10      Wednesday April 21**

Topic:            Strategic Exit and Product-Market Entry

Reading:        Helfat and Eisenhardt, 2004, “Inter-temporal Economies of Scope, Organizational Modularity, and the Dynamics of Diversification,” *Strategic Management Journal*, forthcoming.

Study Questions: Will be sent ahead of time by email.

**Presentations:**

1. Jorge, Mike, Utku—DuPont’s exit from textiles
2. Marcos (+ others?)

### Nonmarket Strategies

Effective business development requires that firms manage their nonmarket environment, including relationships with the government, the media, and non-governmental organizations (NGOs).

#### **Session 11 Thursday April 22**

Topic: Nonmarket Elements of Strategy

Reading: Baron, D. P. 1995. "Integrated Strategy: Market and Nonmarket Components." *California Management Review*, 73.

Case: The Brent Spar Platform Controversy (A), (B), (C) (IMD-2-0070, 0071, 0072)

Study Questions:

1. How well integrated were Shell's market and nonmarket strategies?
2. What should Shell have done differently with regard to Brent Spar?
3. What does Shell need to do in order to have an effective nonmarket strategy?

**Presentations:** Other company example(s) of dealing with nonmarket strategic issues.

1. Jack and Michelle—Boeing
2. open

### Make-or-Buy Decisions for Market Entry

A large category of strategic entry decisions involve choices of which stages in the value chain to enter. These involve issues such as vertical integration, outsourcing, and licensing.

#### **Session 12 Wednesday April 28**

Topic: Vertically Integrated Market Entry

Reading: Grant, pp. 389-400.

Case: Sharp Corporation: Technology Strategy (HBS #9-793-064)

Study Questions: (on next page)

1. What are Sharp's key capabilities?
2. Based on the framework in the reading, does it make sense for Sharp to be vertically integrated? Why or why not?

**Presentation Options:** Other company examples of vertical entry issues.

**Session 13    Thursday April 29**

Topic:            Outsourcing and Business Development in Mature Industries

Reading:        Insinga, R.C. and Werle, M.J. 2000. "Linking Outsourcing to Business Strategy," *Academy of Management Executive*, pp. 58-70.  
Barthelemy, J. 2003. "The Seven Deadly Sins of Outsourcing," *Academy Of Management Executive*, pp. 87-98.

**Presentations:**

1. Jorge and Bordee—Outsourcing in Asia
2. Lynn (+ others?)—Issues in outsourcing

**Session 14    Wednesday May 5**

Topic:            Licensing

Reading:        Hill, C.W.L. 1992. "Strategies for Exploiting Technological Innovations: When and When Not to License," *Organization Science*, pp. 428-441.  
Beamish, P. Note on International Licensing. (Ivey Reprint 9A96G008)

Case:            Rambus Inc. (Stanford #SM-82)

Study Questions: To be sent ahead of time by email.

**Presentations:**

1. Nate and Dan
2. open

## Strategic Alliances

Firms often use strategic alliances and joint ventures as alternatives to market entry through vertical integration or diversification. Firms also may use alliances and joint ventures as an intermediate step prior to full market entry.

**Sessions 15 & 16      Thursday May 6**

**NOTE: CLASS WILL EXTEND THROUGH LUNCHTIME.**

**Visitor: Hal Nelson, T'03, Corning Inc.**

Topic:            Strategic Alliance Strategies

Readings:        Dyer, J. H., Kale, P., and Singh, H. 2001. "How to Make Strategic Alliances Work," *Sloan Management Review*, 42 (4): 37-43.  
Chesbrough, H.W. and Teece, D.J. 1996. "When is Virtual Virtuous?" *Harvard Business Review* (Reprint R0208J).

Case:             Corning Inc.: A Network of Alliances (HBS #9-391-102)

Study Questions:

1. Why does Corning rely so heavily on alliances and joint ventures? Should other companies do this as well? Why or why not?
2. How well or poorly does Corning appear to meet the criteria for an effective alliance capability?

**Session 17      Wednesday May 12**

Topic:            Deal Structure: Contracting Issues in JVs and Partnerships

Readings:        Gomes-Casseres, B. Managing International Alliances: Conceptual Framework (HBS #9-793-133)  
Campbell, E. and Reuer, J.J. 2001. "International Alliance Negotiations: Legal Issues for General Managers," *Business Horizons* (Reprint BH057)

**Presentations:**

1. Lynn (+ others?)
2. Mike, Utku, Jae Ho (? Here or earlier in the course)
3. open

**Session 18    Thursday May 13**

**NOTE: TODAY IS THE LAST DAY OF CLASS**

Topic:            Course Wrap-up

Instructor will integrate the topics in the course in a summary lecture. We also will discuss making choices among business development options.