**STRATEGIC MANAGEMENT SEMINAR (BMGT 665.01)**

**Predictive Strategy Project**

**Welcome** to the Predictive Strategy Project, which will provide each team an opportunity to engage in a detailed analysis of a publicly-traded company over an extended time period. Specifically, working with your team members, I am asking you to investigate your assigned company using the discussions, readings, topics, frameworks, and theories covered in class. The purpose of the project is to provide you with a *dynamic* view of a company’s challenges, opportunities, and responses over one of the most disruptive economic periods to date. You will need to explore the management of your assigned companies in terms of its competitive positioning at the end of this most recent recession (the Great Recession) and its competitive footing for the next recession. The analysis should cover aspects pertaining to business models, mergers & acquisitions and/or divestitures, corporate restructuring, innovation, and competitive reactions. The final product is a comprehensive, detailed, and critical examination of the company’s decision-making benefits and shortcomings over the economic upcycle. Your analysis should conclude with a discussion of the company’s and management’s risk-return profile: is the company structure (management, innovation initiatives, internal processes, etc.) aligned with the external environment (industry structures, technological developments, competitive dynamics, etc.)?

Before you begin researching your company, please keep the following in mind:

* The project is time intensive, so make sure you understand what I am asking of you. I don’t want you spinning your wheels needlessly.
* The team should start accumulating the **right** kind of information **right away**. As I detail below, you will need to “plan your dive and dive your plan” with the appropriate equipment in mind. Make an outline and start collecting evidence.
* I will ask you to use the **assigned competitor** as the **main anchor point** for comparison – however, this does not mean that you should limit the analysis to that one competitor. There may be others who provide useful insights into what your company should/shouldn’t do.
* You will need to take a position, no doubt: you will either like or dislike the way the company was managed. Subjectivity is fine with me, as long as you have the framework and financial support for your contentions.

**GUIDELINES**

**Part I (ONLY for the Mid-Semester Presentation)**

**What was the company’s health in 2010/11? What was the industry’s health in 2010/11?**

* Please provide relevant and appropriate financials on the company, found in its 10-K and Annual Report. Here are a few I recommend (be judicious by picking the ones that are most informative and relevant to your industry!)
  + **Profit Margin Analysis** (Gross Profit, Operating Profit, Net Profit)
  + **Liquidity Ratios** (Current Ratio, Quick Ratio, Cash Balance)
  + **Debt Ratios (**Debt-to-Asset Ratio, Interest Coverage, Cash Flow to Debt)
  + **Productivity Ratio** (Sales/Revenue per Employee)
  + **Operating Performance Ratio** (Fixed Asset Turnover Ratio; Inventory Turnover)
  + **Revenue, Profit, Cash Flow Growth** (2010 – 2011)
* What do these financial indicators **signify** about the health of the company? Do these compare to the **main competitor’s** financials?
* Please provide highlights from a short SWOT analysis ***at the time***: what were the industry’s prospects? What were the company’s prospects?
* What was management’s **strategic plan** at the time for the company? The CEO’s Letter to Shareholders, found in the Annual Report, is the best place to get answers to this question. Also go back and look at media coverage on the company that year.

**What is the company’s current health, ending 2015/16? Where is the industry today?**

* Please provide some financials on the company, found in its 10-K and Annual Report.
* How is the company’s direct competitor doing?
* What are the main issues and trends affecting the industry today?
* Please provide 2015/16 financial touch points on the company, found in its 10-K and Annual Report. You’ll want to use the same ones you used for the 2010/11 analysis.
* How do these compare to the **main competitor’s** financials?
* To what extent did the previous SWOT change?

**Why did your assigned company underperform/outperform its competitor? The industry?**

* **This part is the meat of the act**: taking into account your previous findings, please develop **AT LEAST THREE (3)** **plausible** reasons as to why your company performed the way it did. To answer this part, find ***AT LEAST FOUR (4)*** **significant** events over the past 5 years (2010 – 2016) relating to your company or its assigned competitor: these can include acquisitions or divestitures, top management changes, innovations, product launches and/or recalls, international expansions, etc. They can also include external events: disruptive technological or business model innovations, political/regulatory changes, etc. *In developing your reasons, keep in mind that, in Parts II & III, you will attempt to analyze these reasons and the initiatives behind them using the frameworks and tools discussed in class over the course of the semester.*

**Part II (for the Final Presentation ONLY)**

Imagine the questions in **Part I** as book ends…it is now up to you to fill the book ends with the in-between information.

1. **What was management’s initial response to the economic downturn (2010-12)? What were their stated reasons behind these responses? What was their intended strategic effect?** **This will entail significant analysis into all of the following, although you should only present on the ones that best help you support your argument.**
   * **Financial reengineering** (debt versus equity, access to financial resources, etc.)
   * **Mergers, acquisitions, and/or divestitures.**
   * **Product/service and market** (domestic/international) expansions or retractions.
   * **Pricing/customer strategies** (i.e., did they cut prices? Pursue new/different customer segments? Pursue customer acquisition, retention, both?)
   * **Product/Process innovations** (new products, services, processes, joint ventures, strategic alliances, etc.)
   * **Corporate governance** (leadership, top management team, board of directors, and compensation)
2. **As the economy began to rebound in 2012, did management’s initial responses pay off? Why or why not?** For this part, you have to rely on relevant frameworks and models covered over the course of the semester, again, by comparing your company to its main competitor. **How** you use the frameworks to argue your case is of primary importance to me (you’ll want to be specific).

* The **Business Model Canvas** from Osterwalder & Pignuer
* The **Strategy Patterns** from Mintzberg, Slywotzky, etc.
* The **Lock-in and Utility Specificity Matrix** from Latham and Braun
* The **Retrenchment – Repositioning Matrix** from Braun and Latham
* The **Industry Change** Matrix from Anita McGahan
* The **M&A Typology** from Bower
* The **Value Net** by Branderburger and Nalebuff

1. **To what extent did your analysis support your reasons in Part I? On a scale of 1-10, with 1 being ‘weak’ and 10 being ‘strong’, how would you rate the strength of your company’s competitive and financial position TODAY? To what extent could your company weather an upcoming economic downturn? Has the company taken protective measures against a subsequent recession?**

* The frameworks covered over the course of the semester will only take you so far in your analysis. While some tools will go a long way to help explain strategic initiatives and the subsequent competitive positioning of your company, some issues will remain unresolved. For this part, take a moment to reflect on your company: what else may explain why your company performed the way it did? Feel free to introduce ideas, tools, theories and occurrences from other classes and your professional experience.

**Part III (for the Final Presentation ONLY)**

For the last part, I would like you to create a **Strategy Map** for your company that captures the company’s **strategic priorities** in terms of its financial, customer, internal process and the human capital perspectives that will help the company navigate the next economic downturn. For this part, you want to keep in mind your findings from Part I and Part II. The Strategy Map should reflect the strengths and weaknesses of the company TODAY as it faces the next economic downturn.

Use the Strategy Map to implicitly answer the following:

* Does the company have a unique competitive advantage to carry it forward from today?
* How strong is the company’s competitive footing with regards to its main competitor? Other competitors?
* Can you anticipate any internal or external problems that may detail the company’s future competitive advantage?
* Does the company have to reconsider its value proposition? That is, should it pursue other customer segments and markets? If so, what might you suggest?

**ACCOMPLISHING THE PROJECT**

At first glance, this project may seem overwhelming, especially in terms of the amount and specificity of information needed to provide an answer. However, the project is not meant to instill analysis paralysis in you. Rather, you need to be VERY SELECTIVE with the information you get and drill deep to explore how it informs the company’s strategic navigation of the economic downturn. Here are suggestions to simplify and streamline the project:

* Go for **depth** rather than breadth…***this means that I prefer you tackle 3 or 4 main themes and their relevant frameworks for your analysis and work them in-depth rather than superficially touching on all strategic issues and trying to use all frameworks.***
* Many of the questions I pose above are meant as guides and prompts: use your judgment when deciding to answer them implicitly or explicitly.
* Have a general direction and relevant frameworks, models, continuums, patterns, etc. in mind **before** you begin your informational search. This will make knowing what you’re looking for much easier.
* Figure out what’s ***significant***: these are large-scale players that receive an enormous amount of media coverage. As such, you want to zero in on a handful of noteworthy actions/announcements by the company’s management (and its competitors) that allow you to explore the strategic move and explain it in terms of the topics covered in class.
* Stick with the main sources: 10-Ks, annual reports, press releases, and coverage by the more mainstream business journals (Wall Street Journal, Business Week, Barron’s, etc.)
* Make sure you can paint an ***integrative*** picture: the various facets under exploration need to fit together to provide a comprehensive picture of the strategies undertaken by management and their fit with the organizational and managerial risk-return considerations. Stay away from list-building.
* Leverage the strengths of the team. This is a team-based project, so make sure everyone contributes with what they can do best/most efficiently. You will have a chance to rate your peers at the end.

**DELIVERABLES**

**Mid-semester Presentation (15% of Final Grade)**

On February 21st, each team will spend 10 minutes presenting **Part I** of their respective companies. These presentations will focus on the so-called “book ends”, with specific attention given to the hypotheses and the supporting financial metrics in 2010/11 and 2015/16. Make sure to bring a print-out or forward, via e-mail, the slides the day of your presentation.

**Final Presentation (20% of Final Grade)**

Upon return from Spring Break, we will dedicate April 4th and April 6th (April 4th only for the evening session) to the final presentations. Each team will have 20 minutes to present their findings from **Parts II** & **III,** with an additional 5 minutes for Q&A. Make sure to bring a print-out or forward, via e-mail, the slides to me the day of your presentation.

**The companies assigned to the individual teams are below; the companies in PARENTHESES are the ASSIGNED COMPETITORS which will serve as the main anchor point for comparisons.**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Team** | **Company** |  |  | **Team** | **Company** | |  |  |
| **RED** | **Snap-on** | |  | **BROWN** | **Wolverine WW** | | |  |
|  |  |  |  |  |  | |  |  |
|  | **(Stanley B&D)** | |  |  | **(Sketchers)** |  |  |  |
| **GREEN** | **Mattel** | |  | **ORANGE** | **La Quinta** | | |  |
|  |  |  |  |  |  | |  |  |
|  | **(Hasbro)** |  |  |  | **(Choice Hotels)** | | |  |
| **BLUE** | **Staples** | |  |  |  | | |  |
|  | **(Office Depot)** | |  |  |  | |  |  |