

# **Strategic Management 1**

**MBA (Executive) Program**

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AGSM MBA Programs

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[www.agsm.edu.au](http://www.agsm.edu.au)

# **Strategic Management 1**

## **Detecting and Selecting Business Opportunities**



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# Course Structure

## SM1 Calendar Dates A1

Week	Date	Activity	Assessment
Week 1	19 January	Pre-reading and eLearning orientation	
Week 2	27 January		
Week 3	02 February		
Week 4	09 February	Residential 5 days 08-12 February	Book review
Week 5	16 February	Conduct interview with general manager or entrepreneur	
Week 6	23 February		
Week 7	02 March		Residential problem analysis
Week 8	09 March	Teleconference	
Week 9	16 March		Written report on interview with manager or entrepreneur Peer feedback
Week 10	23 March		Strategy formulation paper

All assessment submissions, unless otherwise stated, are via eLearning and due on the Tuesday of the given week at 3pm EST.

## SM1 Calendar Dates A2

Week	Date	Activity	Assessment
Week 1	19 January	Pre-reading and eLearning orientation	
Week 2	27 January		
Week 3	02 February		
Week 4	09 February	Residential 5 days 17-21 February	Book review
Week 5	16 February	Conduct interview with general manager or entrepreneur	
Week 6	23 February		
Week 7	02 March		Residential problem analysis
Week 8	09 March	Teleconference	
Week 9	16 March		Written report on interview with manager or entrepreneur Peer feedback
Week 10	23 March		Strategy formulation paper

All assessment submissions, unless otherwise stated, are via eLearning and due on the Tuesday of the given week at 3pm EST.



## SM1 Calendar Dates B2

Week	Date	Activity	Assessment
Week 1	27 January	Pre-reading and eLearning orientation	
Week 2	02 February		
Week 3	09 February		
Week 4	16 February	Residential 5 days 25 February-01 March	Book review
Week 5	23 February	Conduct interview with general manager or entrepreneur	
Week 6	02 March		
Week 7	09 March		Residential problem analysis
Week 8	16 March	Teleconference	
Week 9	23 March		Written report on interview with manager or entrepreneur Peer feedback
Week 10	30 March		Strategy formulation paper

All assessment submissions, unless otherwise stated, are via eLearning and due on the Tuesday of the given week at 3pm EST.

## SM1 Calendar Dates C1

Week	Date	Activity	Assessment
Week 1	02 February	Pre-reading and eLearning orientation	
Week 2	09 February		
Week 3	16 February		
Week 4	23 February	Residential 5 days 02-06 March	Book review
Week 5	02 March	Conduct interview with general manager or entrepreneur	
Week 6	09 March		
Week 7	16 March		Residential problem analysis
Week 8	23 March	Teleconference	
Week 9	30 March		Written report on interview with manager or entrepreneur Peer feedback
Week 10	06 April		Strategy formulation paper

All assessment submissions, unless otherwise stated, are via eLearning and due on the Tuesday of the given week at 3pm EST.

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# Program Agenda

## Goals

The Strategic Management Year (SM Year) is the capstone program of the MBA (Executive). It prepares you to become the general manager of a large established organisation as well as the leader of a small entrepreneurial start-up. General managers are responsible for formulating and implementing a strategy that will lead to success. To support this, the program develops skills to help you to respond to the fundamental issues of positioning an organisation within a dynamic environment and aligning it, both externally and internally, to generate value. Even if you do not become a general manager, you need to understand the issues they grapple with, not least of all so that you can frame enquiries in a way that will resonate with general managers and help you to secure the support you need to get your job done.

The design of the Strategic Management Year is organised around the general manager's fundamental problems. Unlike heads of particular functions (R&D, production, sales, marketing, finance, etc.), general managers always need to consider an action's implications for the entire organisation. For this reason, the SM Year seeks to develop holistic and integrative thinkers who are readily able to take a cross-functional perspective.

The program is structured on the organisational life cycle, including the start-up, growth, and decline phases. The response to a decline in performance will determine whether the organisation is rejuvenated or ceases to exist.

The SM Year is divided into four courses that reflect the different stages of the organisational life cycle.

- Strategic Management 1: Detecting and Selecting Business Opportunities (SM1)
- Strategic Management 2: Developing Business Opportunities (SM2)
- Strategic Management 3: Growing Businesses (SM3)
- Strategic Management 4: Transforming Businesses (SM4)

The following table provides an outline of these courses.

The Strategic Management Year				
	SM1	SM2	SM3	SM4
Critical overarching question	How do I detect and select business opportunities?	How do I develop business opportunities?	How do I grow a business?	How do I transform a business?
Specific problems	How do I formulate a successful strategy?	What capabilities do I need to deliver a strategy?	What options for growth do I have?	How do I anticipate threats to my organisation's performance?
	How do I position the organisation to compete?	How do I design the organisation to deliver the required capabilities?	How do I implement a growth option?	How do I create and implement a strategy to address a crisis in organisational performance?
	How do I sell a business plan to potential investors?	How do I engage internal stakeholders with a strategy?	How do I sell a growth plan to internal and external stakeholders?	How do I lead an organisation through transformational change?
	How do I evaluate the level of risks associated with a proposed business?	How do I evaluate and manage the risks associated with a proposed organisational architecture?	How do I evaluate and manage the risks associated with a proposed growth option?	How do I evaluate and manage the risks associated with a proposed transformational change?
Questions for the entire SM Year	1. How do I evaluate my skills as a general manager and how do I improve them? 2. How do I learn as a manager? How can I use the learning to be a better manager? 3. How do I learn about my team working skills and how do I improve them?			

Throughout the SM Year you will develop critical skills for becoming an effective general manager including:

- **Cognitive** skills required to diagnose current organisational performance and to develop recommendations for future action;
- **Communication** skills (both written and oral) required to influence others and persuade them of appropriate courses of action;
- **Self-reflective** skills required to assess personal development needs;
- **Team working** skills required to work effectively with others in making decisions and implementing strategies.

In addition, the SM Year will explore a set of themes across the four courses. These are:

- **Economic Logic Evaluation:** Is the economic logic of the proposed or existing venture compelling? How does the venture make money? In the case of a not-for-profit organisation, how does it achieve its objective? Can the business idea be converted into a strategic position that allows the organisation to create and capture value for the stakeholders? How can a strategy be changed to fund growth? What happens to the economic logic of a business when the environment changes radically?
- **Entrepreneurship:** How do the problems faced by the general manager of an established business differ from the problems faced by the entrepreneur? How would our approach to strategic management be different when dealing with the problems in a large existing organisation versus an entrepreneurial start-up?
- **Leadership:** What role do leaders play in building organisations that possess a sustainable competitive advantage? How do leaders engage people to make the right decisions and to take appropriate actions?
- **Decision Making:** What decision-making processes can be used to help make key decisions, for example, resource allocation, selecting business opportunities and new products, designing organisational systems?

## Key SM Year Concepts

A successful entrepreneur or general manager is one who is able to implement. Implementation depends on good communication, which, in turn, depends on clarity. To help you create clarity in your strategic thinking, verbal communication and writing, this section is devoted to defining some of the key concepts used throughout the SM Year.

### Strategy

In this program, 'strategy' means an **integrated plan** of how to achieve an organisation's **fundamental objective**. At the highest level of generality, all organisations have a fundamental objective, whether it is clearly articulated or not. Managers then develop strategies to achieve this objective.

There is an argument that the fundamental objective of any listed, for-profit organisation is to make a profit for its shareholders. If it does not do so, it cannot survive. But this does not mean that all listed firms have been created simply to generate the highest profits possible in their chosen industries. Many successful for-profit organisations have been created by a

visionary founder to achieve their own personal goals. For example, Ingvar Kamprad founded IKEA with the explicit goal to 'think creatively to make innovative, affordable products'. This philosophy informs everything that IKEA does: the way it is organised, the type of people it employs, the way its products are designed and manufactured, etc. But this does not negate the fact that the founder's vision could not have been achieved by a bankrupt organisation. To continue to survive and serve its customers, IKEA must make a profit.

Any fundamental objective will have multiple strategies that can be used to achieve it. As a result, a key task for general managers is to choose, among the many available strategies, the ones that will most likely succeed for their organisation. It is common for organisations to have the same or similar objectives but to seek to achieve them in different ways.

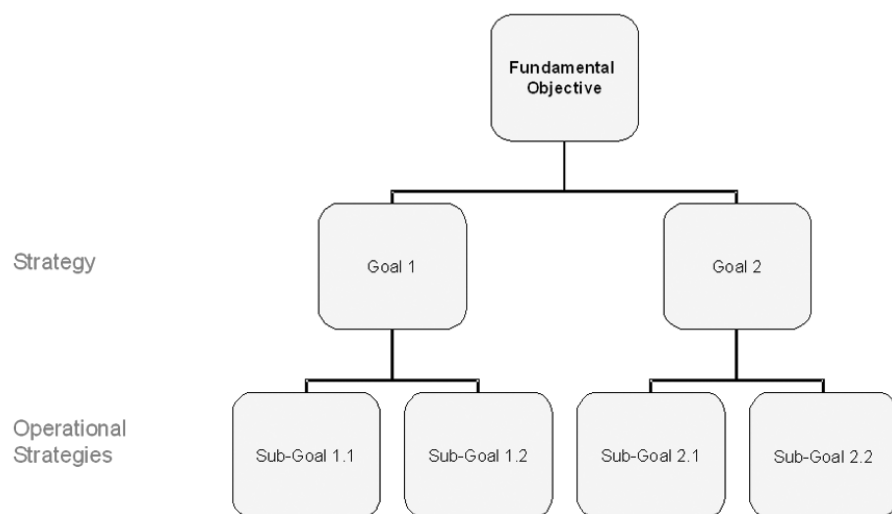
In essence, a **strategy is a statement about the means (how)** of achieving the desired **ends (fundamental objective)**. Working down from the top of an organisation, the strategies for achieving the fundamental objective become goals for the next level down, creating a hierarchy of goals and strategies. For example, a multidivisional corporation's fundamental objective may be to provide satisfactory returns to shareholders. To achieve this it could, for example, have a strategy of owning only businesses that return greater than 18% on assets employed. This corporate strategy translates into a goal for the different business units, namely to achieve greater than 18% ROA. These business units then develop strategies they believe will enable them to achieve this goal.

The term 'strategy' was first used in the military literature that advised would-be generals. A strategy in that context is a statement about how to prevent an enemy from imposing his or her will on you. How do I win, how do I avoid defeat, how do I maintain the territorial integrity of our country, how do I maintain peace? To gain control is the fundamental objective.

A general may decide that a strategy (**the means**) to defeat the opposing army is to send half of the troops to attack the enemy head on and the other half to attack the enemy from behind. This strategy statement (**the means**) becomes a goal (**the end**) for the lower level commanders who have to implement the strategy. The commander, for example, who is to lead half of the troops around the enemy without being detected needs to come up with a lower level strategy to do this (e.g. to move at night when it is dark). The even lower level leader needs to examine the terrain for the best route and to come up with a strategy for how his small team can work all night (e.g. have the exploratory platoon sleep during the day so they are alert and thus reduce the risk of detection). The danger is that the soldiers become so

focused on what is a lower level goal that they may lose sight of what is the **fundamental objective** of the military as a whole: To gain control.

## Organisational Goal Hierarchy



In most organisations, there can be confusion between lower level sub-goals (e.g. launch a new product, hire quality people) and the fundamental objective. If you ask business leaders what the fundamental objective for the organisation is, more often than not they articulate a high-profile problem (e.g. reduce turnover of staff).

To do a strategic analysis you need to help the business leader articulate the fundamental objective. In the above example, if you take them at their word and construe reduction of staff turnover as the fundamental objective, a recommendation of simply paying every staff member 300% more will solve the problem but also generate a response: 'You are crazy, that would destroy the firm's profitability!' Now you have exposed what is probably the fundamental objective: to achieve high profits. If you had given every staff member a 300% rise you may have achieved the goal of reducing staff turnover, but you wouldn't have achieved the fundamental objective of high profits. The choice of what product or service to sell or how to manage staff, is a choice about the strategy (the means or the how) to achieve the fundamental objective.

It is always easier to develop a strategy if there is one fundamental objective such as making a profit. However, entrepreneurs typically have more fundamental objectives than simply to make money. They generally want

to be in a business that they find meaningful as the example of IKEA's founder illustrates. Whether you are starting a business or whether you are taking a job as a general manager, you need to determine for yourself what fundamental objective(s) you will pursue with the organisation and if you pursue multiple fundamental objectives you have to decide the relative importance of each.

Recent corporate scandals such as the Enron fiasco have rekindled the debate about the role a public corporation should play in society and hence the fundamental objectives it should pursue. A view commonly associated with the Nobel Prize winning economist Milton Friedman (1970) argues that the only social responsibility the corporation has is to increase its profits and serve its shareholders. At the other end of the spectrum, commentators argue that the fundamental objective of a corporation is to serve its employees, its customers, its suppliers and the societies it operates in. Shareholders are the least important stakeholders in this view. Telstra's CEO, Solomon Trujillo, clearly is much more aligned with Milton Friedman's view when he argues that Telstra should only make investments that benefit its shareholders.

In the residential of SM1 we will debate what the fundamental objective of a corporation should be and to what extent a general manager's actions should be driven by notions of corporate social responsibility. But always keep in mind that strategy is not about the fundamental objective of the corporation. Strategy is choosing the best way to achieve the fundamental objective(s) of the organisation, whatever they may be.

At the business unit level, '**strategy**' refers to how the unit will reach its overarching goals. Here the strategy will include statements about the **market positioning**, the **economic logic underlying the venture**, and the **organisational strategy**, namely how the organisation will be configured to deliver its market position in a way that will satisfy its owners or primary stakeholders. The organisational strategy involves the acquisition of **key resources**, the development of critical **capabilities** and the design of the **organisational architecture** that will support its activities.

A good strategy **creates** and **captures value** for the organisation. This is true for business organisations as well as not-for-profits. If an organisation fails to create and capture adequate value, it will not be able to afford the resources required to run the organisation.

Here is an example of an actual strategy statement.



## **Borders' Strategy Statement**

**Long-term goals:** Borders will be the leading retail distribution outlet for books in the United States measured by the number of books sold and revenue market share. We will have the greatest revenue per square foot of any book retailer and the highest margin per book. Our customers will have the most satisfying book purchasing experience in terms of variety of books offered, in-store availability of desired titles, and helpfulness of staff. We will expand from our base in the United States to Australia, New Zealand, Singapore and the United Kingdom.

**Scope:** Borders will run a chain of large (in excess of 20,000-sq. ft.) bookstores carrying a wide variety of titles (in excess of 80,000) in each store. We will be located in all major metropolitan areas in the United States and Canada. Our facilities will be leased rather than purchased, and, while designed to fit into the local architecture, they will share a common layout and common information systems. Most stores will have a coffee bar, the operation of which will be outsourced. We have developed and continue to maintain and improve a proprietary information technology system for tracking and managing inventory. We are not vertically integrated into the production of books.

**Competitive Advantages:** We believe that the following are key sources of competitive advantage:

- Our large scale
- Our proprietary inventory system
- Our highly trained in-store staff
- Customer awareness of our name and reputation for service and value
- Our prime locations of existing stores
- Perception of our stores among real estate developers as valuable "anchor tenants."

**Logic:** Our wide variety of titles, low prices, highly trained staff, and attractive stores provide an attractive shopping experience for our customers, making us their first choice in bookstores. The high volumes this generates in each store coupled with the size of the chain give us significant purchasing power that enables us to procure books at favorable prices. Furthermore, our proprietary inventory management gives us superior knowledge of what to stock and minimizes "out of stock" occurrences, optimizes inventory on hand, and minimizes returns of books to suppliers. Our unit costs are therefore the lowest in the industry, allowing us to have the highest margins despite having below average prices. While we have significant expenses in terms of creating and maintaining our proprietary information systems, training, brand advertising, and administration, our ability to spread those expenses over many stores enables us to keep our operating expenses a low fraction of revenue. Our current store locations give us a first-mover location advantage, and our reputation for attracting traffic makes us an attractive anchor tenant in new locations, facilitating growth through new stores, allowing us to leverage our competitive advantages into new locations.

*Source: Saloner, G, Shepard, A, and J. Podolny. 2001. "Strategic Management." John Wiley and Sons, Brisbane. p. 32.*

## Congruence/Alignment

A central framework that will be used throughout the entire SM Year is the **Congruence Model**. The model suggests that organisations perform well – that is, they create and capture value – when (1) the positioning strategy of the organisation fits the environment in which it operates (**external fit**), and (2) every element of the organisational strategy is mutually consistent and fits the chosen positioning strategy (**internal fit**). Conversely, poor organisational performance results when the chosen positioning strategy does not fit the environment and/or the organisational strategy does not fit the chosen positioning strategy. You will use the Congruence Model to diagnose both poor performance and organisational problems, and to generate recommendations for how to solve those problems.

### External Fit

The reason why organisations find it difficult to design a positioning strategy that is well adapted to the environment is that the environment is made up of many different factors that are often changing. The external environment includes everything that lies beyond the organisation's boundary and can never be controlled fully by top management: the industry (composed of suppliers, customers, competitors, substitute products), the larger economy, governments, society, technology, and nature all are part of the external environment. Organisations need to adapt to the external environment if they want to be successful.

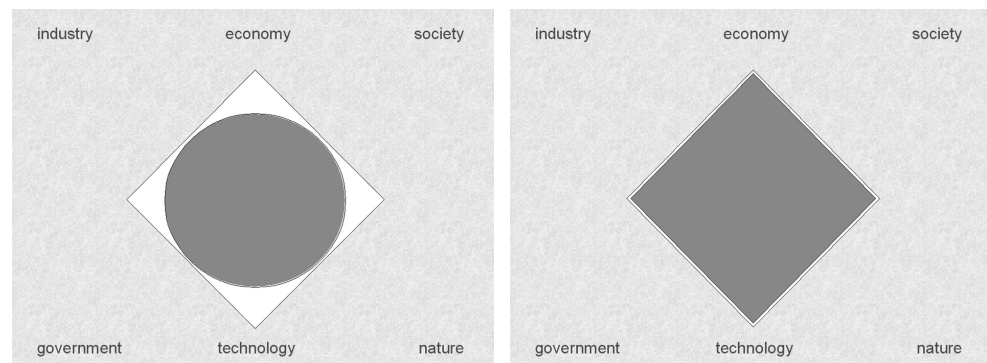
Starting in the 1990s independent mortgage brokers such as Aussie Home Loans captured a large share of the Australian residential mortgage market. Unlike traditional deposit banks, these companies obtained their capital by reselling their mortgage portfolios to international investors. In early 2008 this funding strategy became no longer viable because the crisis in the sub-prime market in the U.S. spread all over the globe. This crisis makes it virtually impossible to obtain capital by selling loan portfolios. Traditional banks, which obtain much of their capital from deposits, can now reclaim lost market share.

The above example illustrates that whether a positioning strategy leads to success or failure depends on environmental conditions. Changes in the environment require organisations to realign with the new conditions. Think about the financial challenges traditional newspapers are facing now that websites are attracting a larger share of advertising dollars, which were previously spent on print media. Traditional newspaper companies need to find new ways to make money.

So the organisation needs to design a positioning strategy that fits with the multiple environmental factors. Figure 1 illustrates this notion of fit. On

the left-hand side the positioning strategy (represented by a circle) does not fit with the environment, for example, as a mortgage broker's reselling strategy is not aligned with new economic environmental conditions. On the right-hand side, the positioning strategy (represented by a diamond) does fit.

**Figure 1:** *Degree of Fit Between Positioning Strategy and Environment*



## Internal Fit

Even if an organisation has an excellent positioning strategy that fits the external environment, it will not be able to leverage this unless its organisational strategy is aligned with its position. Part of the organisational strategy is the **architecture** used to manage the organisation's resources.

Anyone who has ever tried to create or change an organisation realises that organisations are complex entities made up of many elements that need to be designed appropriately to create and capture value from delivering a product or service. Together they make up the organisation's architecture. Throughout the SM Year we will use the following labels for the major components of an organisational architecture:

- Structure
- People
- Systems
- Culture
- Leadership.

**Structure:** The division of labour, the assignment of roles and responsibilities, and the informal networks within the organisation. Formal organisational structures group individuals into units with a shared common purpose, for example, by function, geography or customer. Informal

structures also emerge, making individuals form patterns of association that are not captured by the organisation chart. Social networks and shared interest groups are examples of such informal structures. Organisational structures attempt to differentiate groups from one another so that responsibilities are clear and resources can be assigned. They also attempt to integrate groups to achieve coordinated action and informed decision-making. Common integration mechanisms are dotted line reporting, cross-functional task forces, job rotation and information transfer. Some organisations have very clear boundaries between differentiated units, while others have extensive interactions and porous unit boundaries. Organisational structures also determine where decisions are made (whether centrally or dispersed), and who has decision rights over what.

**People:** The skills, attitudes, and personal goals of the organisational workforce. These characteristics determine the organisation's ability to implement key tasks and achieve organisational objectives. For example, staff may have technical or professional expertise, they may be diverse in culture, age and gender, and they may have skills in many different areas (e.g. creativity, entrepreneurship, customer service, critical thinking). The goals of employees might include long tenure, personal development, job satisfaction or financial reward. Employees are selected, developed, protected and allocated using organisational systems (defined in the next paragraph) and structures.

**Systems:** The collection of activities that include targets, measures, policies and standard operating procedures. Organisational systems guide behaviour and decision-making in the organisation by providing direction and incentive. These systems require staff members to follow routines and procedures, and to meet budgets, plans and targets. These plans and targets are not necessarily financial; they also include targets around customer service and retention, quality, employee satisfaction and organisational processes. Staff are incentivised to act appropriately through rewards, recognition and opportunities. Managers use systems to monitor performance and processes, to diagnose organisational problems, and to discuss business plans and operational procedures. Information technology is an effective way of communicating targets and policies, gathering information on measures, and analysing data to inform decision-making.

**Culture:** The pattern of values, expectations, norms and rules that are shared by the members of an organisation or business unit. **Values** reflect beliefs about what is important for individuals and the organisation. **Norms** are the widely shared and strongly held social expectations about appropriate attitudes and behaviour. Compliance with the norm is seen as right and appropriate, and non-compliance is penalised in some way, and so individuals refer to norms in determining their work behaviours. Often seen

as the ‘social glue that binds the organisation together’, corporate culture explains why and how people work together. Organisations with widely shared norms show great consistency in attitudes and behaviours. However, there are often differences between the espoused values and norms, and the enacted values and norms. These differences create weaker cultures and manifest in uncoordinated behaviours and decisions.

**Leadership:** The characteristics and activities of key managers.

Organisational leaders ‘set the scene’ for staff and stimulate action through the things they say and do, and the things they pay attention to. The stories leaders tell inform staff about what is important to the organisation, and the things leaders do demonstrate what is important. Leaders control behaviour in different ways: some leaders are directive, some empowering, some consultative and some laissez-faire. Leadership is distributed throughout the organisation, that is, not only those at the very top influence action and guide behaviour. Followers pay close attention not only to the words but also to the behaviour of leaders to get an understanding of what leaders expect. Maintaining a consistency between words and actions is one of the great challenges of leadership.

It is important to keep in mind that these elements of **organisational architecture** are interdependent. The structure of the organisation has some impact on culture, organisational systems influence the way people are managed, the characteristics and preferences of key leaders often shape the structure of the organisation, and so on. For example, organisations with many hierarchical layers tend to have cultures characterised by high power-distance and formality. As another example, the way people are selected is a function of the selection system. That system also contributes to the composition of people within the organisation. The messages candidates receive when being recruited exhibit the values and norms of the corporate culture. The second key idea of the Congruence Model is that organisations perform well when each element of the organisational architecture fits the chosen positioning strategy and when each element fits with other elements. The following report on Sydney Ferries is a good example of an organisation with internal architectural elements (systems, structure, culture, staff, leadership) that do not fit with a positioning strategy of safety.



# Staff churn blamed for ferry crashes

Jordan Baker  
Transport Reporter

A HIGH turnover of executives, and front-line workers who thought Sydney Ferries could run itself, contributed to a string of collisions involving Manly ferries last year, a report has found.

The Office of Transport Safety Investigations says human error was behind six of 11 collisions involving the Freshwater class ferries in 12 months – including several in which boats crashed into wharves.

The report, published yesterday, says organisational problems, such as inadequate maintenance and training and poor communication, led to many of the factors behind the collisions.

The assistant Minister for Transport, Eric Roozendaal, said the number of crashes was unacceptable but Sydney Ferries had taken big steps towards improving safety and training. "Safety is our highest priority," he said.

However, the report warns: "Despite a number of reviews and reports, Sydney Ferries has experienced difficulty in implementing a comprehensive program of safety remediation."

Investigators found that high turnover in senior management ranks had hampered the management of daily operations and the ability to bring about change in the organisation. Sydney Ferries has had 11 chief executives in 15 years, four operations general

managers in two years, six engineering general managers in six years and three chief finance officers in a year.

The present chief executive, Rear Admiral Geoff Smith, is the third this year. The first, Sue Sinclair, resigned after a series of breakdowns, maintenance problems and accidents.

The report says the workforce is highly unionised, with eight unions looking after 600 employees. However, unions said any suggestion that membership affected safety measures was offensive.

Sydney Ferries was found to be hampered by employees – many of them third-generation – who were attached to the status quo and had "a firmly held opinion" that the company could run itself.

"This opinion has been reinforced by the continual change of senior managers," the report says. "It manifests itself in a lack of regard for formal procedures and has complicated the management of change."

Maintenance was also "sub-optimal", the report says, with immature and inadequate processes, often incomplete documentation and poor monitoring of work and performance.

Crew resource management was below best practice and had been affected by inadequate

training, poor communication procedures, ill-defined roles and rostering problems.

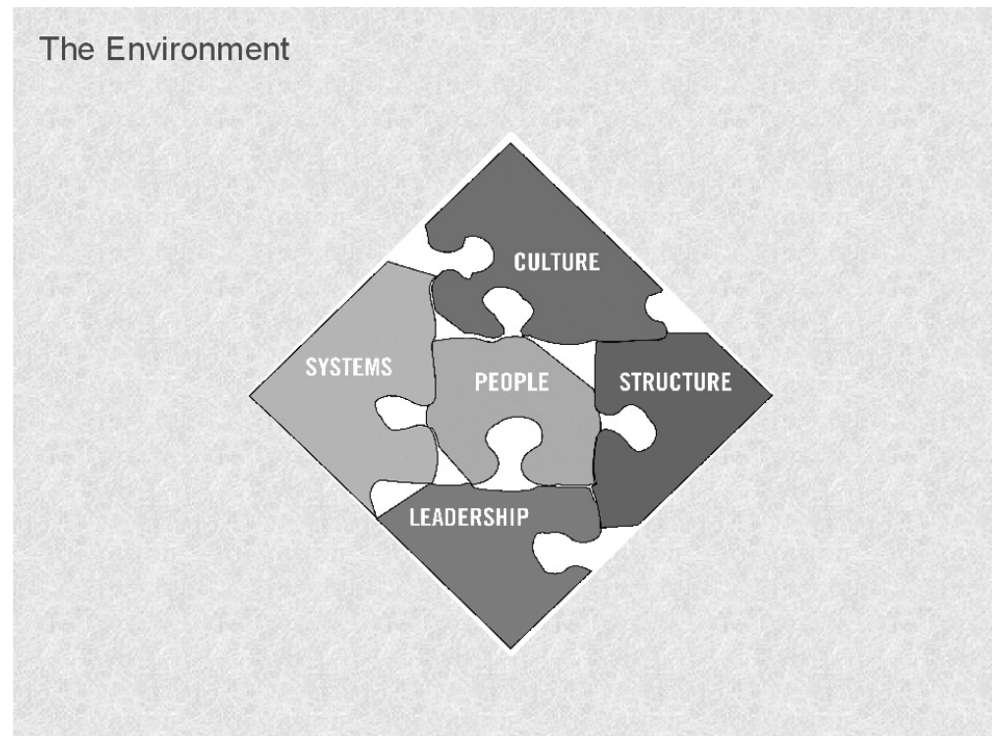
Mr Roozendaal said the report noted there had been no collisions in the past 11 months. "This shows that the changes to practices at Sydney Ferries ... have been taking effect," he said.

The Opposition transport spokesman, Barry O'Farrell, said he was not convinced that ferries were safe and called on the Government to ensure there was enough money to tackle safety concerns.

"Having the assistant minister – the equivalent of the ministerial water boy – give such an assurance after we've had full-time ministers in the past [who have not delivered] ... fills me with no confidence at all," he said. "Until Labor starts to address the systemic problems plaguing Sydney Ferries, commuters will continue to be put at risk and endure an unsafe public transport system."

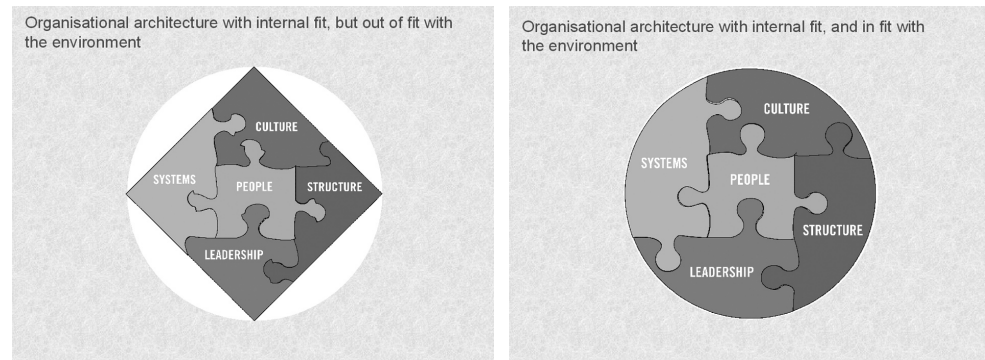
This lack of internal fit is illustrated in the following figure. The positioning strategy (diamond shape) of safety fits with Sydney Ferries' environmental factors, but the elements of organisational architecture do not fit with this positioning strategy.

**Figure 2:** *Lack of Internal Fit*



Alternatively, an organisation may have good internal fit between the architectural elements, but the organisational strategy is not appropriate for a given positioning strategy. For example, when Qantas wanted to position a low fare airline travel product in the marketplace to compete with its new rival Virgin Blue, it realised that its existing organisational architecture was designed to deliver a premium service product. Qantas' existing organisational architecture (particularly its systems, people and labour relations) was not congruent with a low fare product offering (illustrated by the image on the left of Figure 3), so Qantas decided to set up a separate organisation, JetStar, whose organisational architecture could be designed to deliver a low fare product profitably (illustrated by the image on the right of Figure 3).

**Figure 3:** *Internally fit organisational architectures with different degrees of fit with environment*



The challenge for the entrepreneur and general manager is not simply to design a strategy for positioning a product or service that can be successful (this is the focus of SM1), but also to develop the **organisational capabilities** to implement the positioning strategy (this is the focus of SM2). The second challenge is to design an appropriate **organisational architecture** and obtain the **key resources** to run the organisation. Financiers and potential employees are much more willing to join an organisation if they are convinced that the positioning strategy is likely to work and if the general manager or entrepreneur has developed a compelling organisational strategy for implementing the business idea.

When the external environment changes, the positioning has to be redefined to maintain external fit. It is almost certain that the organisational strategy will have to change also to maintain internal fit. The concept of fit is a dynamic one and different strategies will be appropriate at different stages of the organisation's life cycle.

### **Life Cycle of the Organisation**

One of the hard facts of business is that most start-ups fail. Studies have shown time and again that the failure rate across different industries lies between 50 and 90 per cent (Liss 2000). Most ventures fail within the first five years. If an organisation lives for decades you are witnessing – given the odds of failure – a genuine success story. Entrepreneurs who have created successful organisations time and again emphasise the difficulty in getting someone to pay for a new product or service. Potential customers tell market researchers that they would like to have product X but when it comes on the market they don't buy it. Financiers know that most business ideas don't work and, therefore, require a convincing business plan to open their wallets. An entrepreneur or a general manager faces different challenges in the different phases of the organisational life cycle: Start-up, Growth and Decline.



**Start-up:** To improve the odds that the business idea will be successful, the entrepreneur or the intrapreneur (if the person is a general manager on the payroll of an existing organisation) needs to do a systematic analysis of the market and the proposed product or service to establish that the venture will create and capture value. An entrepreneur needs to sell a business plan to potential investors. The 'bar' professional investors place on funding a business plan is a lot higher than that which family members (who finance most new start-ups) would place. But even family members need to be convinced there is some hope that the venture will eventually make money. For intrapreneurs, obtaining the resources necessary to launch a new business is often a lot easier than for entrepreneurs.

Intrapreneurs, however, need to convince other members of the organisation that launching a new product, process or service is in the organisation's best interests. Intrapreneurs are often unsuccessful in this quest and are forced to leave their firms and become entrepreneurs to pursue the rejected business idea. A famous case in point is Gordon E. Moore (a chemist and physicist) and Robert Noyce (a physicist and co-inventor of the integrated circuit) who worked at Fairchild Semiconductor and formed Intel when Fairchild did not want to commercialise integrated circuits. SM1: Detecting and Selecting Business Opportunities, focuses on how entrepreneurs and intrapreneurs can detect and select good business opportunities and reject unpromising ones.

The second phase of the start-up process is covered in SM2: Developing Business Opportunities. Entrepreneurs need to design the beginnings of the organisational architecture (see above) to implement the business idea. Small start-ups with only a few people don't require elaborate formal structures. But the founding team needs to specify a rudimentary division of labour and lay out formal systems to move the venture forward. Either by design or by default, any new organisation will acquire a culture and the founder(s) will have a leadership style that may or not be suitable for a particular positioning strategy.

**Growth:** SM3: Growing Businesses, will be devoted to all the different growth options available to the general manager, ranging from organic growth through innovation, geographic expansion, and diversification as well as mergers and acquisition. While SM1: Detecting and Selecting Business Opportunities, and SM2: Developing Business Opportunities, will focus on a single business, SM3: Growing Business, will focus on running different businesses under the same corporate hierarchy. **Corporate-level strategy** poses opportunities and challenges for the general manager that are not encountered in business-level strategy.

Large organisations such as Wesfarmers are diversified and compete in several (sometimes quite unrelated) environments. In SM3 the central questions faced by corporate strategists are: ‘Where should we compete; that is, what specific business activities should we be involved in?’ Since the fundamental goal of strategy making is to create and capture value, we need to ask: ‘How does corporate HQ add value to a particular business to justify that the corporation should own the business rather than letting the business operate as an independent entity?’

If you want everyone to know and talk to everyone else in the organisation,  $n(n-1)/2$  interactions need to take place ( $n$  equals the number of people in the organisation). This means that a group of five people require 10 interactions for everyone to know everyone else; a group 25 requires 300 interactions; and a group of 150 requires 11,000 interactions. Imagine you do nothing else but meet people during a 40-hour working week, spending 5 minutes with each person. How many people could you interact with if you took no break? Four hundred and eighty people – you get the drift.

As more people are added to an organisation, you cannot have everyone report to you directly because you don’t have enough time to check in with them regularly. You make big money by building a large business. But organisational growth is a huge challenge for a new venture. A start-up made up of five people can function effectively without much of a formal structure and system. Wal-Mart, the largest private employer in the world with 2.1 million employees, needs to have many different layers of formal hierarchy to coordinate effectively the work of all people. Going from five to 2.1 million employees requires radical changes to all five elements of the organisational architecture. Wal-Mart started out with a few stores in rural America (Arkansas) and now operates different businesses in many countries. The international expansion strategy worked in some countries (Britain) but failed miserably in Germany where Wal-Mart had to exit.

**Decline:** Unlike humans, organisations, although they are made up of human beings, don’t need to die. New people can replenish the organisation. In principle an organisation could live eternally. Yet the organisational world is surprisingly like the biological world. As mentioned earlier, most organisations go out of existence within the first couple of years. Although the risk of death declines with age, staying in existence is no trivial feat for organisations.

The chief reason why organisations decline is that the specific environment they exist in changes. New technologies, for example, word processing software, make old technologies, in this case typewriters, obsolete, and the market for the old technology shrinks dramatically or disappears entirely. You may be the general manager of the best organisation in the

typewriter industry, but when the market disappears before your eyes, your organisation will be in trouble. Can you name a single typewriter manufacturer that has survived the invention of word processing?

When an industry shrinks, firms in the industry quickly start losing money because their cost structure was adapted to a higher volume of sales. SM4: Transforming Businesses, focuses on how to manage a business that is in decline. You only have two options. Turn the organisation around to reverse the decline or slide toward extinction. We mentioned earlier the organisational challenges you face in growing a business. Managing a business in decline poses a number of different challenges. (Note that SM4 is concerned with business-level strategy. A corporation owning a declining business among its portfolio of businesses can simply sell or close down the business without endangering the corporation as a whole.)

When the business is losing money, you don't have the financial resources to fund solutions to the problem. Your organisational architecture does not fit the current environment. You need to redesign the architecture with few resources and with time against you. Where are you going to make the cuts to stop the bleeding? When the organisation is growing you have plenty of opportunities to promote people because new jobs are being created. Now you have to let people go. Whom do you keep? How do you focus the organisation on a new path?

To complete this section where key concepts used throughout the SM Year are being defined, we look at two features of a strategic analysis that have to be identified explicitly to ensure clarity: Unit of Analysis and Level of Abstraction.

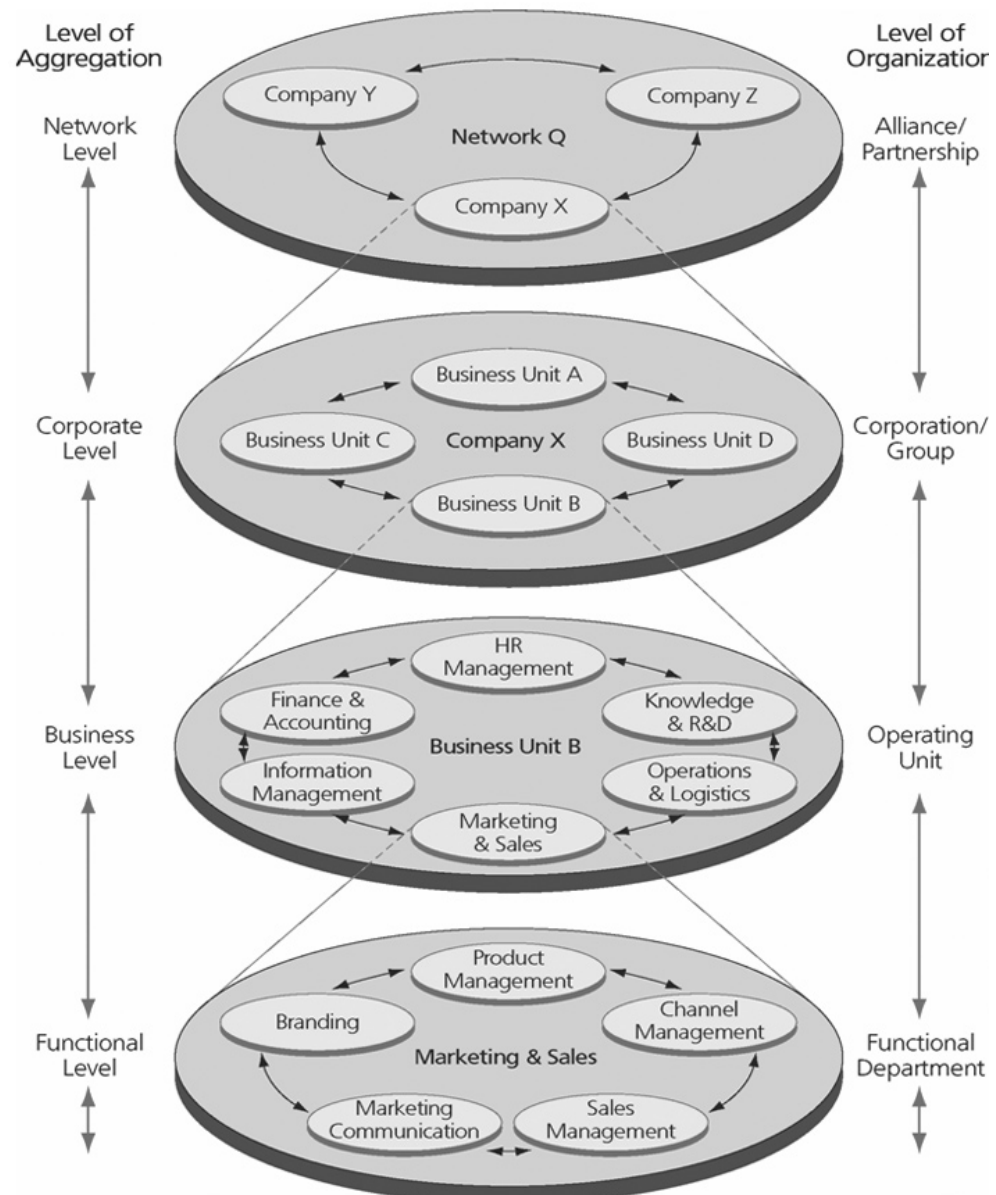
## Unit of Analysis

**Unit of Analysis:** Large organisations have many different levels in the formal structure. Figure 4 shows four levels of aggregation: the functional level, the business level, the corporate level and the network level. In the SM Year we are focusing on the business and the corporate level. When you conduct a strategic analysis, the first thing you need to do is to identify the unit that you are analysing. A strategy recommendation that improves the performance of Business Unit A would not help the higher corporate level if the new strategy you propose for Business Unit A simply takes sales away from Business Unit B. The relevant environment into which the organisational unit has to fit changes, depending on which unit of analysis you pick.

**Level of Abstraction:** The level of abstraction (granularity, resolution) refers to the amount of detail you provide in a strategy statement. Think about maps. A map always is an abstraction of the physical region it represents. A fully detailed map of Sydney, for example, would be as big as Sydney itself. If you want to draw a useful map of the entire globe it cannot have the same amount of detail as a map of Sydney. A map of Sydney can show every road, but if you showed every road in a map of globe you would not be able to see anything because the map would be so cluttered. Similarly, a compelling strategy statement for a diversified corporation such as Wesfarmers cannot be as detailed as a strategy statement for one of its business units, Bunnings, for example.

One of the key communication challenges for general managers is to articulate a strategy that is neither so abstract and general that it becomes vacuous ('our strategy is to create value for our customers by delivering them high quality, cost-effective products') and neither too specific and detailed by listing every single action each staff member is supposed to undertake. Imagine that the CEO of WalMart decided to provide a comprehensive strategy statement by asking each of the 2.1 million employees to state their goals for the year and formulate a one-page plan for how they will achieve them. The resulting 2.1 million pages will provide a detailed plan for the organisation but they are useless because everyone would drown in the detail. You need to choose the right level of abstraction for the particular strategic problem you are addressing.

**Figure 4:** *The Levels of Strategy*



Source: De Wit, B. & Meyer, R. 2004. *Strategy: Process, Content, Context*. London: Thomson Learning, page 9.)

# Learning Outcomes

By the end of the SM Year you will be able to:

## Across the whole program

- Evaluate your skills and developmental needs as a general manager
- Evaluate your team working skills and develop ways to improve them

## Strategic Management 1: Detecting and Selecting Business Opportunities

- Formulate a business strategy
- Identify and develop organisational competitiveness
- Design a communication strategy to support a business plan to potential investors
- Evaluate and manage risks with a proposed business

## Strategic Management 2: Developing Business Opportunities

- Evaluate business capabilities
- Select an appropriate organisational architecture
- Identify and demonstrate ways to engage internal stakeholders with the strategy
- Evaluate and manage risks associated with a given organisational architecture

## Strategic Management 3: Growing Businesses

- Analyse options for growth
- Implement a growth strategy
- Gain support for the recommended growth option(s) from internal and external stakeholders
- Evaluate and manage risks associated with a growth option

#### **Strategic Management 4: Transforming Businesses**

- Develop skills to identify and interpret weak signals about possible threats to performance
- Identify a range of strategies for addressing a threat to organisational performance
- Develop a plan for leading an organisation through transformational change
- Evaluate and manage the risks associated with a proposed transformational change
- Develop skills in incorporating feedback to generate a more compelling plan

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# Assessment

## Summary of Assessment Requirements for the Strategic Management Year

Assessment of your progress is an important component of the learning process. The MBA (Executive) approach is to provide a wide variety of assessment opportunities while maintaining a level of scholarship consistent with postgraduate study. Assessment in the SM Year comprises a combination of individual and group assignments, written and oral presentations, and both self-reflective and analytical tasks. These assignments have been designed with the learning objectives of the SM Year in mind. The assessment schedule is paced such that you have adequate time to prepare each piece of assessment.

Each course within the SM Year has its own assessment requirements. In addition students are required to complete two assessments (peer feedback and a book review) that run throughout the year. The assessment requirements for the whole year are listed overleaf. The details for SM1 assignments follow this.



Strategic Management Year Assessment Schedule							
Strategic Management 1		Strategic Management 2		Strategic Management 3		Strategic Management 4	
Strategy formulation paper <i>Individual submission</i>	50%	Strategy implementation paper <i>Individual submission</i>	50%	Business plan for growing the business <i>Individual submission</i>	50%	Final project <i>Individual submission</i>	25%
Interview with manager or entrepreneur <i>Group submission</i>	10%	Presentation on interview with manager <i>Group submission</i>	10%	Identification of own development needs as manager <i>Individual submission</i>	10%	Transformation strategy paper <i>Individual submission</i>	30%
Residential problem analysis <i>Group submission</i>	40%	Residential problem analysis <i>Group submission</i>	40%	Residential problem analysis <i>Group submission</i>	40%	Residential problem analysis <i>Group submission</i>	25%
Peer feedback on contribution to syndicate group <i>Individual submission</i>	P/F	Peer feedback on contribution to syndicate group <i>Individual submission</i>	P/F	Peer feedback on contribution to syndicate group <i>Individual submission</i>	P/F	Peer feedback on contribution to syndicate group <i>Individual submission</i>	P/F
						Book review To be completed at any point during SM Year	P/F
						Self-reflection paper <i>Individual submission</i>	20%
Total	100%	Total	100%	Total	100%	Total	100%

## Strategic Management 1 assessments

- *Strategy formulation paper (individual submission)*. In this assignment you formulate a competitive strategy for an organisation, using course concepts. You have the choice of using your own organisation, or any other organisation or proposed business venture you will benefit from analysing.
- *Residential problem analysis (group submission)*. At the beginning of the Strategic Management 1 residential you will be presented with a live problem faced by an entrepreneur or general manager. After the residential each student team is required to submit an analysis of the problem and develop a recommendation.
- *Peer feedback*. You will be required to provide feedback to your team peers on their contribution to the group, including skills such as leadership, ability to influence others, ability to resolve conflict, and self awareness.
- *Interview with a manager or entrepreneur (group submission)*. Working in small groups, you are required to design and conduct an interview with a general manager or entrepreneur about what they perceive to be their role in an organisation, and the skills and competencies they require, or need to acquire, to support this role. During Residential 1 the group researches the general manager's role and develops questions and an interview instrument. These questions are shared with the entire class. Between Residential 1 and the end of Strategic Management 1, groups conduct the interview and prepare a written report on the role of their chosen general manager or entrepreneur.

## Strategic Management 2 assessments

- *Strategy implementation paper (individual submission)*. In this assignment you develop a recommendation for the design of an organisation, using course concepts. You have the choice of using your own organisation or any other organisation or proposed business venture. You should use the same organisation as in strategy formulation paper in SM1.
- *Residential problem analysis (group submission)*. At the beginning of the Strategic Management 2 residential you will be presented with a live problem from a general manager or entrepreneur. After the student team each syndicate group is required to submit an analysis of the problem and develop a recommendation.
- *Peer feedback*. You will be required to provide feedback to your team peers on their contribution to the team, including skills such as leadership, ability to influence others, ability to resolve conflict, and self awareness.

- *Presentation of general manager or entrepreneur interview (group presentation)*. Groups give a presentation on their interviews with managers or entrepreneurs during Residential 2.

### **Strategic Management 3 assessments**

- *Business plan for growing the business (individual submission)*. In this assignment you provide a rationale for growing a business, and develop a recommendation for how to grow the business. You have the choice of using your own organisation (preferably the same one they analysed in Strategic Management 1 and Strategic Management 2) or any other organisation you would benefit from analysing.
- *Residential problem analysis (group submission)*. At the beginning of the Strategic Management 3 residential you will be presented with a live problem from a real company. After the residential each student team is required to submit an analysis of the problem and develop a recommendation.
- *Peer feedback*. You will be required to provide feedback to your team peers on their contribution to the group, including skills such as leadership, ability to influence others, ability to resolve conflict, and self awareness.
- *Personal management development (individual submission)*. Drawing on what is identified in the group reports on general manager skills and competencies, you develop individual reports that are reflections on your own managerial skills and perceived needs/gaps and development opportunities. These are submitted at the end of Residential 3.

### **Strategic Management 4 assessments**

- *Transformation strategy paper (individual assignment)*. You write a paper that provides an analysis and recommendations on transforming an organisation whose performance has deteriorated.
- *Final project (individual submission)*. Using feedback from the individual assessments in SM1 and SM2 you develop a paper that both formulates a strategy and designs an organisation through which to implement the strategy. (This assessment must be passed to pass the course.)
- *Residential problem analysis (group submission)*. At the beginning of the Strategic Management 4 residential you will be presented with a live problem from a real company. After the residential each student team is required to submit an analysis of the problem and develop a recommendation.

- *Peer feedback.* You will be required to provide feedback to your team peers on their contribution to the group, including skills such as leadership, ability to influence others, ability to resolve conflict, and self awareness.
- *Self-reflection paper (individual submission).* In this paper you analyse progress on your leadership development goals (determined during the Strategic Management 1 residential). This paper explores the ‘What next?’ in your managerial development. You should use your SM Year Learning Journal (completed throughout the year) to inform this analysis. Here you need to show evidence of self-reflection, action planning and trial of new behaviours. This may also include analysis of group process during the SM Year. During Residential 4 you meet with a learning partner to discuss the individual report submitted for Strategic Management 3 and to feed these discussions into the self-reflection paper handed in shortly after Residential 4.
- *Book review (oral presentation).* Each student will have presented a review of a book or an article that has extended their thinking about Strategic Management. The article or book should not be a core management text that most students would be already familiar with. New insights often come from another domain. For this reason we encourage you to look far a field for texts that provide you with some insight into the problems of the general manager. This is a Pass/Fail assignment only. All students who satisfactorily complete a review will pass.

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# Assessment Guidelines: Strategic Management 1

All assessments, essays and project reports should conform to the standard assessment format detailed in the course overview and on the AGSM website. Inadequate documentation or careless presentation of assessment items may result in marks being deducted. Assessments must meet prescribed details of length, submission dates and any special provisions. All assessment submissions, unless otherwise stated, are via eLearning and due on the Tuesday of the given week at 3 pm EST.

## Assessment Policy

The assessment process plays two roles: it provides feedback to you on your progress, and is a means of testing and grading your performance. All information on assessment is provided in the **Policies and Forms** section of the AGSM website. Please refer to these policies for details on how to present your assignments.

Log onto the AGSM website: <http://www.agsm.edu.au/>

1. Go to the MBA (Executive) **Student area**
2. Click **Policies and Forms**
3. Click **MBA (Executive) Policies and forms**
4. Click Assessment and examination.

In order to pass this course, you must:

- Achieve a aggregate (overall) mark of at least 50; and
- Make a satisfactory attempt at the final piece of assessment.

### **Assessment 1: Book review** (*individual submission*)

**Due:** You will be provided with a time during one of the residentials when you will be expected to present the book review. At Residential 1 you will be informed which residential you will need to present at.

**Weight:** Pass/Fail

**Length:** Oral presentation no longer than 5 minutes

Each student will present a review of a book or an article that has extended their thinking about Strategic Management. The article or book should not be a core management text that most students would be already familiar with. New insights often come from another domain. For this reason we encourage you to look far afield for texts that provide you with some insight into the problems of the general manager. For example, *It's Only a Game*, John O'Neill's (former Australian Rugby Union and Football Federation of Australia) is a good insight into managing a complex organisations.

This is a Pass/Fail assignment only. All students who satisfactorily complete a review will pass.

### **Assessment 2: Residential problem analysis** (*group submission*)

**Due:** Week 7

**Weight:** 40%

**Maximum length:** 12 pages

You will work in small groups on this assessment. At the beginning of the first residential you will be presented with a live problem faced by an entrepreneur or general manager. After the residential each student team is required to submit an analysis of the problem and develop a recommendation.

### **Assessment 3: Written report on interview with a manager or entrepreneur** *(group submission)*

**Due:** Week 9

**Weight:** 10%

**Maximum length:** 4 pages

Working in small groups, you are required to design and conduct an interview with a general manager or entrepreneur about what they perceive to be their role in an organisation, and the skills and competencies they require, or need to acquire, to support this role. During Residential 1 the group researches the general manager's role and develops questions and an interview instrument. These questions are shared with the entire class. Between Residential 1 and the end of Strategic Management 1, groups conduct the interview and prepare a written report on the role of their chosen general manager or entrepreneur.

### **Assessment 4: Peer feedback** *(individual submission)*

**Due:** Week 9

**Weight:** Pass/Fail

You will be required to provide feedback to your team peers on contribution to the group, including skills such as leadership, ability to influence others, ability to resolve conflict, and self awareness. You will use an online tool to do this which is accessed via e-Learning.

This is a Pass/Fail assignment only. Students who satisfactorily submit feedback for their team peers will pass.

### **Assessment 5: Strategy formulation paper** *(individual submission)*

**Due:** Week 10

**Weight:** 50%

**Maximum length:** 15 pages

In this assignment you formulate a competitive strategy for an organisation, using course concepts. You have the choice of using your own organisation, or any other organisation or proposed business venture you will benefit from analysing.

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# Instructions for Book Review Presentation (Individual Assignment)

During the SM Year, students will present a review of a book or an article that has extended their thinking about strategic management. The article or book should not be a core management text that most students would be familiar with. New insights often come from another domain. For this reason we encourage you to look far afield for texts that provide you with some insight into the problems of the general manager or entrepreneur. For example, *It's Only a Game* by John O'Neill (former CEO of the Australian Rugby Union and Football Federation of Australia) is a good insight into managing a complex organisation. We have posted an example of a book review and tips for preparing it on the eLearning website along with some background information on the value of this assignment.

Prepare a 2 ½ minute presentation on your book or article review. After your presentation (which will be stopped after 2 ½ minutes whether you have finished or not) there will be a 2 ½ minute Q&A with members of your cohort and the residential leader, for a total presentation of 5 minutes.

This assignment is graded Pass / Fail only. The following criteria will be used to judge your oral presentation:

- Is it well-organised and clearly presented?
- Does it engage the audience?
- Does it provide insight for the general manager or entrepreneur?
- Does it articulate lessons for you or your organisation?

The assessment criteria for this assignment are provided on the following page. Please read them carefully.



## Book Review

		HIGH DISTINCTION	DISTINCTION	CREDIT	PASS	FAIL
25%	Organisation and clarity of oral presentation	Imaginative presentation of material resulting in clarity of message and information	Well-structured and signposted presentation. Audible and pace appropriate to audience	Clearly structured and addressed to audience. Pace and audibility satisfactory	Some attempt to structure material for presentation, pace and audibility are satisfactory most of the time	Material is difficult to understand due to poor structure and/or pace and audibility
25%	Engaging the audience	Fully engaged the audience and held their attention all the time	Engaged the audience with good success	Attempted to engage the audience with some success	Attempted to engage with the audience with limited success	No attempt to engage with the audience
25%	Insight for the GM or entrepreneur	Creative application of the topic of the book to the general manager	Clear insights gained, topic of the book made relevant for the general manager	Some insights identified, but not clearly relevant for the general manager	Some insights from the book identified	No attempt to identify insights from the book
25%	Application to you or your organisation	Clear and creative application of insights from book to you or your organisation	Good application of insights from book to you or your organisation	Application of an insight from book to you or your organisation	Attempted to apply insights from the book to you or your organisation but with little success	No attempt to apply insights from the book to you or your organisation

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# Instructions for 12-page Residential 1 Problem Analysis (Group Assignment)

Early in the first residential you will be presented with two business opportunities by an entrepreneur or general manager. Drawing on SM1 course ideas, your task is to recommend which one of the two business opportunities the entrepreneur or manager should pursue. If you conclude that the entrepreneur or manager should not do either, you still need to articulate which opportunity is better.

Be sure to (re-)read **“Thinking and writing in the Strategic Management Year”** as you develop your arguments. This document has many useful tips. You will find it in the learning technology section of your SM1 course binder (and on eLearning). For instructions on referencing refer to Assignment 1.

For details on formatting the assignment go to <http://www2.agsm.edu.au/agsm/web.nsf/Content/EMBA-PoliciesandProcedures-Assessment-Examination>

The assessment criteria for this assignment are provided on the following page. Please read them carefully.

## Residential Problem Analysis

		HIGH DISTINCTION	DISTINCTION	CREDIT	PASS	FAIL
15%	Appropriateness of the recommendation	Recommendation would clearly create competitive advantage and is original	Recommendation would clearly create competitive advantage	Organisational goals, major issues and opportunities identified and addressed	Generic recommendation given which could be made for any organisation	Recommendation inappropriate
20%	Realistic recommendation	Consideration made of the downsides of the recommendation, and strategies to overcome downsides are identified	Recommendation is feasible and realistic and feasibility of recommendation is outlined	Recommendation is feasible and realistic	Recommendation is feasible but unrealistic given resource constraints	Recommendation completely unrealistic
30%	Quality of arguments: logic and integration	Strong logical arguments with excellent evidence that support a consistent, coherent overall strategy	Coherent logical arguments which are strongly justified by evidence	Logical argument with some evidence (data, theory, benchmarking or comparison to alternatives) given to justify the argument	Arguments are logical but evidence to support arguments is weak	Arguments aren't logical, justified or integrated
20%	Organisation, clarity of expression	Shows a polished and imaginative approach to the report with compelling clarity of expression	Carefully and logically organised and written clearly	Good organisation and coherence and mostly written clearly	Little attempt to organise in a logical manner, or lacking clarity of expression	Disorganised/incoherent
15%	Use of conceptual tools and frameworks to support analysis	Clear conclusions that apply concepts in an insightful and compelling way. Good choice of concepts for the strategic problem	Good choice and application of concepts for the strategic problem	Appropriate application of concepts, but poor choice, limited range or too many concepts chosen	Inappropriate application or interpretation of the concepts	No concepts used in analysis

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# Instructions for 4-page Interview with general manager or entrepreneur (Group Assignment)

Working in teams, you are required to design and conduct an interview with a general manager or entrepreneur about what s/he perceives to be his or her role in an organisation, and the skills and competencies s/he requires, or needs to acquire, to support this role. To become a better general manager or entrepreneur, it is important for you to understand the difference between the role of the general manager or entrepreneur, and the role of a lower level functional manager. During Residential 1 your team will research the general manager's or entrepreneur's role and develop questions and an interview instrument. These questions are shared with the entire class.

Between Residential 1 and the end of SM1, your team will conduct the interview and prepare a written report on the role of their chosen general manager or entrepreneur.

In your 4-page paper you should present:

- A short statement in which you provide the rationale for why you selected the interviewee to learn about the role of the general manager or entrepreneur.
- A description of how your interviewee perceives his/her role and what s/he considers crucial skills for the role.
- An evaluation of the interviewee's perception of his/her role compared to other descriptions of the role of the general manager or entrepreneur (e.g. books/articles on the role, and your own experiences).
- The insights your team took away from the interview. What have you learnt about the role of the general manager or entrepreneur compared to the role of the functional manager? How can you apply these insights to your career?
- An appendix listing the questions you asked in your interview. (The appendix is not part of your 4-page limit for the assignment.)

Be sure to (re-)read **“Thinking and writing in the Strategic Management Year”** as you are working on this assignment. This document has many useful tips. You will find it in the learning technology section of your SM1 course binder (and on eLearning). For instructions on referencing, see Assignment 1.

For details on formatting the assignment go to <http://www2.agsm.edu.au/agsm/web.nsf/Content/EMBA-PoliciesandProcedures-Assessment-Examination>

The assessment criteria for this assignment are provided on the following page. Please read them carefully.

## Interview with General Manager or Entrepreneur

		<b>HIGH DISTINCTION</b>	<b>DISTINCTION</b>	<b>CREDIT</b>	<b>PASS</b>	<b>FAIL</b>
15%	Effectiveness of interview	Insightful, comprehensive and original questions asked	Comprehensive questions asked, relevant to assignment	Some good questions asked	General and broad-ranging questions asked, or poor choice of interviewee	Nothing learnt from interview
25%	Understanding of role of the GM or entrepreneur	Clear articulation of the role of the GM or entrepreneur, based on interviewee's perceptions and other sources, including your own experiences and a creative evaluation	Clear articulation of the role of the GM or entrepreneur, based on interviewee's perceptions and other sources, including your own experiences	Some comparison of interviewee's perceptions of role with other sources, including your own experiences	Description of interviewee's perception of the GM or entrepreneur role only	No discussion of the role of the GM or entrepreneur
25%	Insights from interview	Clear comparison of GM or entrepreneur and functional manager made, plus creative articulation of what this means for your career	Clear comparison of GM or entrepreneur and functional manager made, plus good articulation of what this means for your career	Clear comparison of GM or entrepreneur and functional manager made	Some insights about the difference between the GM or entrepreneur and functional manager role	No insights into the role of the GM or entrepreneur
20%	Organisation and clarity of expression	Shows a polished and imaginative approach to the report with compelling clarity of expression	Carefully and logically organised and written clearly	Good organisation and coherence and mostly written clearly	Little attempt to organise in a logical manner, or lacking clarity of expression	Disorganised/incoherent
15%	Use of ideas from SM1	Good choice of ideas for the assignment. Clear conclusions which apply ideas in a creative way	Good choice and application of ideas	Appropriate application of ideas, but poor choice, limited range or too many ideas chosen	Inappropriate application or interpretation of the idea	No ideas used in the report

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# Instructions for 15-page Strategy Formulation Paper (Individual Assignment)

In this assignment you will formulate a competitive strategy for an organisation, using course concepts. You have the choice of using your own organisation, or any other organisation or proposed business venture that you could benefit from analysing. You should not consider as possible strategies a merger or acquisition, or an expansion into other countries because these topics will be covered in SM3.

If you are analysing an existing business, assume that top management would like you to develop a recommended medium to long-term strategy to improve the business in a more competitive and changing market. Advise top management on positioning the business for sustainable improvement in performance over the next five years and provide an actionable recommendation as the primary focus. In supporting your recommendation you should refute its negatives, which includes refuting the next best alternative strategy.

Consider the organisation's current strategy and evaluate alternative strategies to come up with your proposed strategy. Make sure that you take advantage of the analytic tools from SM1 in your analysis. Remember, however, that you are not writing an academic paper but a strategy recommendation for the organisation's top management. This means that you use the tools for your analysis but not for your presentation. Your writing should be in non-technical English. If you conclude that the organisation's current strategy is the best one, explain why it is better than the second best alternative you have developed.

*If you are analysing a proposed strategy for a new entrepreneurial venture, your target audience should be the entrepreneur or potential investors. Aside from your preferred strategy for the venture, you also should develop a second best alternative strategy and refute it.*

In justifying your recommendation, ensure the recommended strategy:

- Is clearly justified with a structured set of logical supporting arguments
- Gives a sustainable competitive advantage
- Meets the key objectives and addresses the main threats and opportunities
- Has supporting evidence
- Is feasible

The assessment criteria for this assignment are provided on the following page. Please read them carefully.

## Strategy Formulation Paper

		HIGH DISTINCTION	DISTINCTION	CREDIT	PASS	FAIL
15%	Appropriateness of the recommendation	Recommendation would clearly create competitive advantage and is original	Recommendation would clearly create competitive advantage	Organisational goals, major issues and opportunities identified and addressed	Generic recommendation given which could be made for any organisation	Recommendation inappropriate
20%	Realistic recommendation	Consideration made of the downsides of the recommendation, and strategies to overcome downsides are identified	Recommendation is feasible and realistic and feasibility of recommendation is outlined	Recommendation is feasible and realistic	Recommendation is feasible but unrealistic given resource constraints	Recommendation completely unrealistic
30%	Quality of arguments: logic and integration	Strong logical arguments with excellent evidence that support a consistent, coherent overall strategy	Coherent logical arguments which are strongly justified by evidence	Logical argument with some evidence (data, theory, benchmarking or comparison to alternatives) given to justify the argument	Arguments are logical but evidence to support arguments is weak	Arguments aren't logical, justified or integrated
20%	Organisation, clarity of expression	Shows a polished and imaginative approach to the report with compelling clarity of expression	Carefully and logically organised and written clearly	Good organisation and coherence and mostly written clearly	Little attempt to organise in a logical manner, or lacking clarity of expression	Disorganised/incoherent
15%	Use of conceptual tools and frameworks to support analysis	Clear conclusions that apply concepts in an insightful and compelling way. Good choice of concepts for the strategic problem	Good choice and application of concepts for the strategic problem	Appropriate application of concepts, but poor choice, limited range or too many concepts chosen	Inappropriate application or interpretation of the concepts	No concepts used in analysis

## Details on the assessment criteria

### 1. Appropriateness of the recommendation

Does the report address the entrepreneur's or organisation's goals, major issues and opportunities? Is the recommendation likely to create sustained competitive advantage? Is the recommendation original?

### 2. Realistic recommendation

Is it possible to implement the recommendation? Is the recommendation feasible, given the resource constraints of the entrepreneur or organisation?

### 3. Quality of arguments: logic and integration

Are the arguments logical? Are the recommendations clearly linked to the analysis? Does the report justify the proposed strategy (e.g. with theory, data, benchmarking, comparison to alternatives)? Do the arguments support a consistent, coherent overall strategy? Are data sources and explicit concepts referenced?

### 4. Organisation and clarity of expression

Is the report well organised and structured? Can the reader easily understand the recommendation and arguments behind it? Is the report written clearly?

### 5. Use of conceptual tools and frameworks to support analysis

Does the analysis show that the author has mastered the different tools and frameworks studied in the course? Can the author selectively draw on the most relevant concepts for the strategic problem faced by the entrepreneur or organisation? Has the author applied the concepts in a competent, insightful, and compelling way?

Be sure to (re-)read “**Thinking and writing in the Strategy Management Year**” as you are working on this assignment. This document has many useful tips. You will find it in the learning technology section of your SM1 course binder (and on eLearning).

For details on formatting the assignment go to <http://www2.agsm.edu.au/agsm/web.nsf/Content/EMBA-PoliciesandProcedures-Assessment-Examination>

**Note on referencing:** You are expected to reference the source of all data used in your assessments. In the GDM we expected you to know the authors of major frameworks and concepts and to reference these appropriately (using the Harvard Referencing system as outlined in Managing Your Learning). However, in the SM Year we place more emphasis on your ability to apply these frameworks and concepts.



We expect you to justify your arguments to persuade an audience of managers. The assignments in the SM Year are designed not for you to analyse and describe frameworks but to apply course frameworks and concepts to make managerial analyses and recommendations. There is no need to reference frameworks or concepts covered in your current course readings or class materials for assignments in your current course. All other frameworks or concepts you use in reports should be referenced appropriately using the Harvard Referencing system (this includes frameworks or concepts covered in previous GDM courses). In addition, you should meticulously reference all data sources (for all types of data including numerical, interview, quotes from news articles, etc.) in your strategy reports so that readers understand the basis for assumptions in your analyses.

### **Progress feedback on assignment**

In order to receive feedback on your progress in this assignment, you should upload a one-page outline of the paper on eLearning by Friday of week 7 for your team to review. In the one-page outline you should do the following:

1. Identify the organisation or new business venture you are analysing. Specify whether you are analysing the entire organisation or a business unit and who is the audience of your report (i.e. their position(s) not their names and their relationship to you).
2. Define the environment it is operating in (i.e. the industry, if it is a business; and/or the organisation it is a part of).
3. State the fundamental objective of the organisation or new venture you are analysing.
4. Articulate in 100 words or less the current strategy of the organisation (this does not apply to a new venture).
5. Articulate your recommended strategy and an alternative strategy (you can change this later if you find a better one).
6. State why the proposed strategy is better than the current strategy (in the case of an existing business) and your alternative strategy. Please provide some sense of how the risk-return trade-off required to meet your objective is likely to vary across your two alternatives and the status quo. Your reasons should be listed in order of their importance.

During the weekend of week 7 you should review the submissions of the rest of your team and prepare feedback for them. At the start of week 8 you will participate in a teleconference with your team and the residential leader to discuss the outlines submitted and provide feedback. You will receive instructions for booking the teleconference via eLearning.

Submission of your one-page outline and participation in a teleconference are a required part of the course, and will contribute to the Peer Feedback assessment. To pass the Peer Feedback assessment you must complete the online iPeer Team Feedback survey (which will be accessible at the end of SM1), upload your one-page outline of the Strategy Formulation paper, **and** actively participate in the teleconference.

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# Readings

- Reading 1** Hambrick, D. C. & Fredrickson, J.W 2001. Are you sure you have a strategy? *Academy of Management Executive*
- Reading 2** Kawasaki, G. 2004. *The art of the start: the time-tested, battle-hardened guide for anyone starting anything*. New York: Portfolio. Chapters 1–3
- Table 4.8 of Timmons, J.a & Spinelli, S. 2007. *New venture creation: entrepreneurship for the 21st century* (7th ed). Boston, Mass. McGraw-Hill/Irwin
- Reading 3** Magretta, J. 2002. Why Business Models Matter. *Harvard Business Review*.
- Denning, S. 2004. Telling Tales. *Harvard Business Review*.
- Reading 4** Drucker, P.F. 2006. What executives should remember. *Harvard Business Review*.
- Barlett, C.A. & Ghoshal, S. 1994. Changing the Role of Top Management: Beyond Strategy to Purpose. *Harvard Business Review* (November-December).
- Margolis, J. & Elfenbein, H. 2008. Social Responsibility: Do Well by Doing Good? Don't Count on It. *Harvard Business Review*. January. p.19.
- Reading 5** Gunnthorsdottir, A. 2008 Risk Attitudes of Human Beings when Faced with Gains and Losses.
- Reading 6** Porter, M.E. 2008. The Five Competitive Forces that Shape Strategy. *Harvard Business Review*.
- Porter, M.E. 1996. What is strategy? *Harvard Business Review*.
- Reading 7** Barney, J.B. 2007. *Gaining and sustaining competitive advantage: Chapter 5* (3rd ed.). Upper Saddle River, NJ: Prentice Hall.
- Reading 8** Kim, W.C. & Mauborgne, R. 2005. Blue Ocean Strategy: From Theory to Practice. *California Management Review*.
- Reading 9** Morecroft, J.D. W. 2007. *Strategic modelling and business dynamics: a feedback systems approach*. Chichester, England; Hoboken, NJ: John Wiley & Sons.
- Reading 10** Brandenburger, A.M. & Nalebuff, B.J. 1995. The Right Game – Use Game-Theory to Shape Strategy. *Harvard Business Review*.

**Reading 11** Livingstone, J.L. & Tigert, D. J. 1987. Strategy Implementation: Competition Among Supermarkets. *Planning Review*.

**Reading 12** Luehrman, T.A. 1997. What's it worth? A general manager's guide to valuation. *Harvard Business Review*.

Copeland, T. & Tufano, P. 2004. A real-world way to manage real options. *Harvard Business Review*.

**Reading 13** Dell HBS-Case

**Reading 14** Page, S.E. 2007. Making the Difference: Applying a Logic of Diversity. *The Academy of Management Perspective*.

Eisenhardt, K. M., Kahwajy, J. L., & Bourgeois, L. J. III. 1997. How management teams can have a good fight. *Harvard Business Review*.

**A note on timing your readings.** Before starting the readings, re-familiarise yourself with the advice on Reading the Course Materials in the Learning Technology Section of the Course Overview. You should survey the course materials by reading the course overview and the introductions to all the readings. Given work and family commitments, the average student should reach the R2 stage of the SQW3R method of study before coming to the residential in week 4 for 9 of the 15 readings. To obtain the full benefit of the residential you need to have read the following readings: 1, 2, 6, 7, 11, 12, 13 before you arrive at the residential. In particular, we want to stress that you need to have mastered in detail the Dell Case (Reading 13) to be able to discuss it in depth during the residential