

- Please login with your UHD account (XXX@gator.uhd.edu). If not, please leave the meeting and login again.
- Steps: Open zoom “Sign in with SSO”, fill “uhd”.zoom.us, UHD login page shows up.
- Wrong logins on 09/11 class : XXX@avmarketing.co; XXX@yahoo.com; XXX@gmail.com; XXX@sbcglobal.net; XXX@msn.com; XXX@tol-lp.com

Announcements

- (1) Please come on time. Pop quizzes (4 quizzes, 20 points in total) happen at the beginning of the class, and you will miss the points if you do not participate.
- (2) groups are in blackboard. 9 groups with 4 students each
- (3) I will not record each class.
- (4) pop quizzes can be about lectures & cases

Current event write-up (20 points)

- Time: 2000-2020 (changed)
- Topics: internal analysis (firm capabilities), cost leadership strategy, differentiation strategy, strategy process, corporate governance (e.g. CEO, board), entrepreneurship, innovation, outsourcing, alliance, diversification, merger or acquisition, international strategy, corporate social responsibility
- Grades:
 - (1) fill in the excel (5 points): to ensure no duplications
<https://docs.google.com/spreadsheets/d/1zldxf6EXLf2D0GpKmh6KFdvTXkhe0nPsMCpYb67RsOQ/edit?usp=sharing>
 - (2) clear illustration of two firm actions (5 points)
 - (3) clear analysis of the good action (5 points)
 - (4) clear analysis of the bad action (5 points)
- Name your file as “Action-ID#.doc”, e.g. “Action-100000.doc” and each action is a one-page limit. Total is two-page limit. Pdf or doc is ok.
- Example file “Action-100000.doc” is in blackboard/course content

fx							
	A	B	C	D	E ▼	F	G
1	ID	action type	topic	firm	article title	article link	
2	100000	good	acquisition	apple	Apple to Acquire	https://www.apple.com	This is example from Yajing
3	100000	bad	acquisition	LVMH	LVMH Pulls Out of	https://www.wsj.com	
4	187306	good					
5	187306	bad					
6	687606	good					
7	687606	bad					
8	877801	good					

Action type: good

Topic: acquisition

Firm: apple

Article title: apple to acquire beats music & beats electronics

Article link: <https://www.apple.com/newsroom/2014/05/28apple-to-acquire-beats-music-beats-electronics/>

(In the first paragraph, please describe the good action: which firm did what at when, process, consequences.) On May 28, 2014, Apple announced it has agreed to acquire the critically acclaimed subscription streaming music service Beats Music, and Beats Electronics, which makes the popular Beats headphones, speakers and audio software. As part of the acquisition, Beats co-founders Jimmy Iovine and Dr. Dre will join Apple. Apple is acquiring the two companies for a total of \$3 billion, consisting of a purchase price of approximately \$2.6 billion and approximately \$400 million that will vest over time.

(Then you give analysis about why you think it is a good action to whom, and please apply what we learn from the class) I think this is a good action for Apple's shareholders because of the synergy XXX.

(Each action is a one-page limit with 12 points of the text and one-inch margins.)

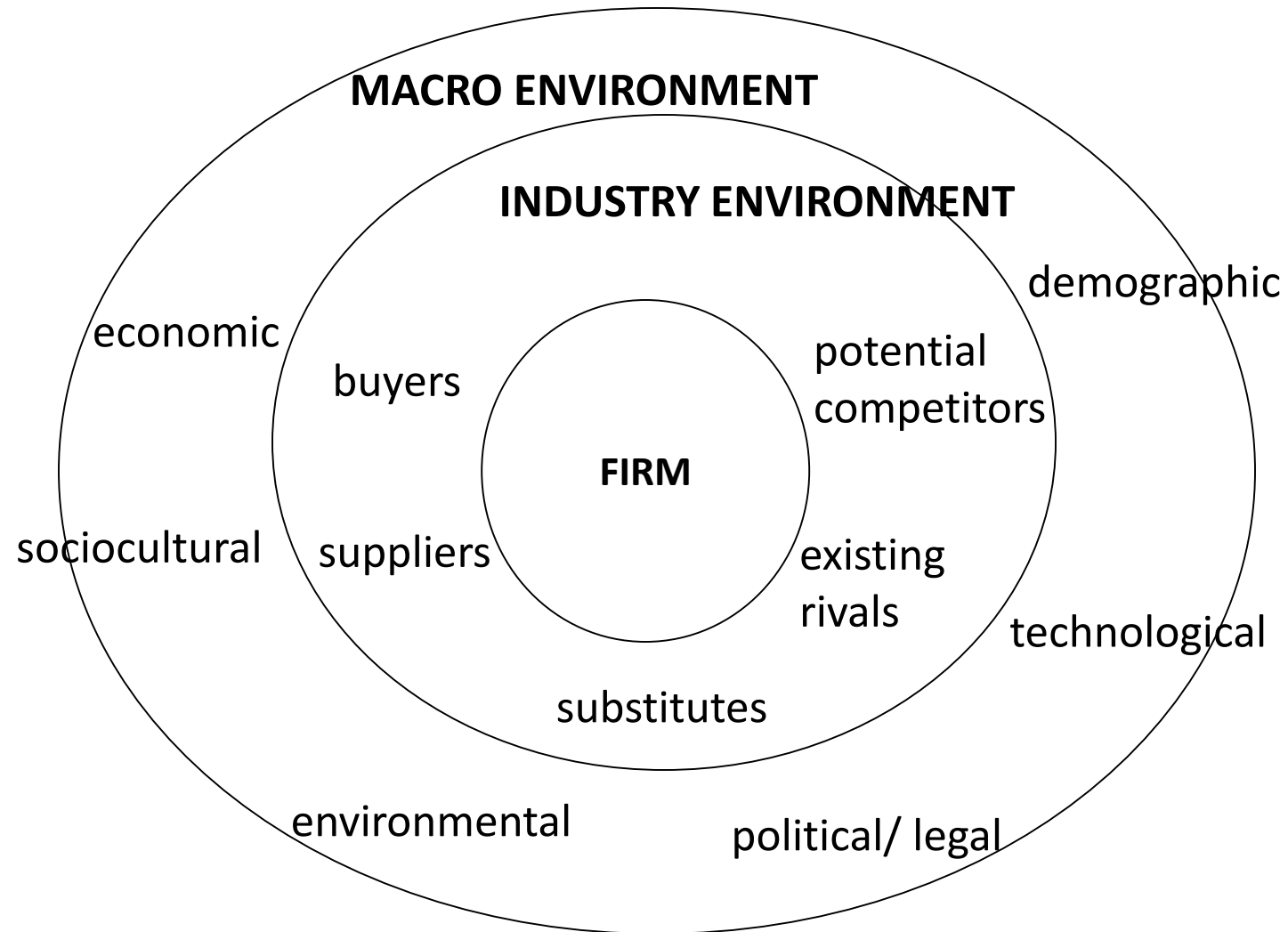
Internal Analysis

Yajing Li

Agenda

- **Internal analysis**
 - Resources and capabilities
 - VRIN test
 - Value chain analysis & SWOT analysis
- **Cost leadership (southwest mini case)**

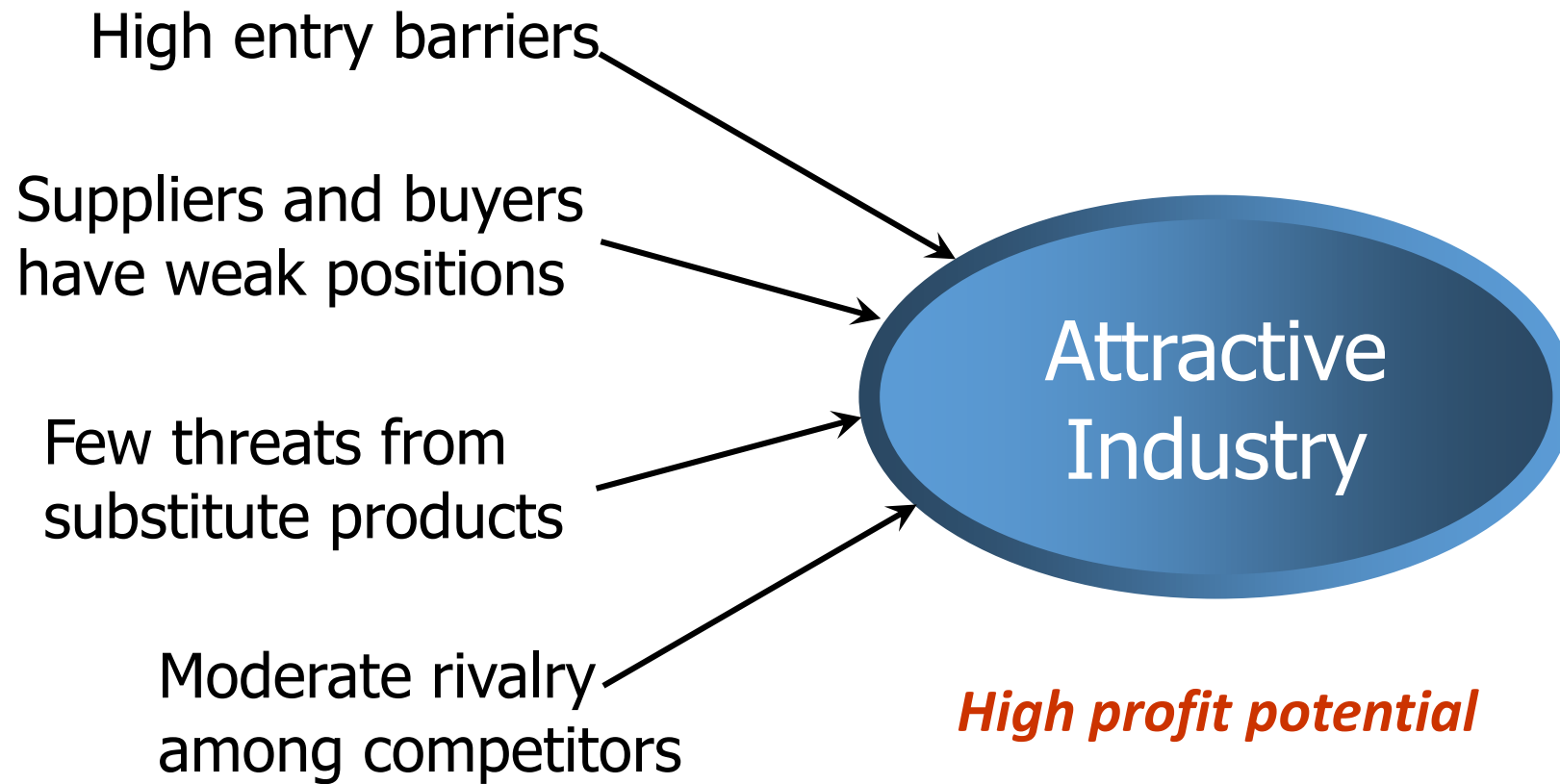
What to scan?



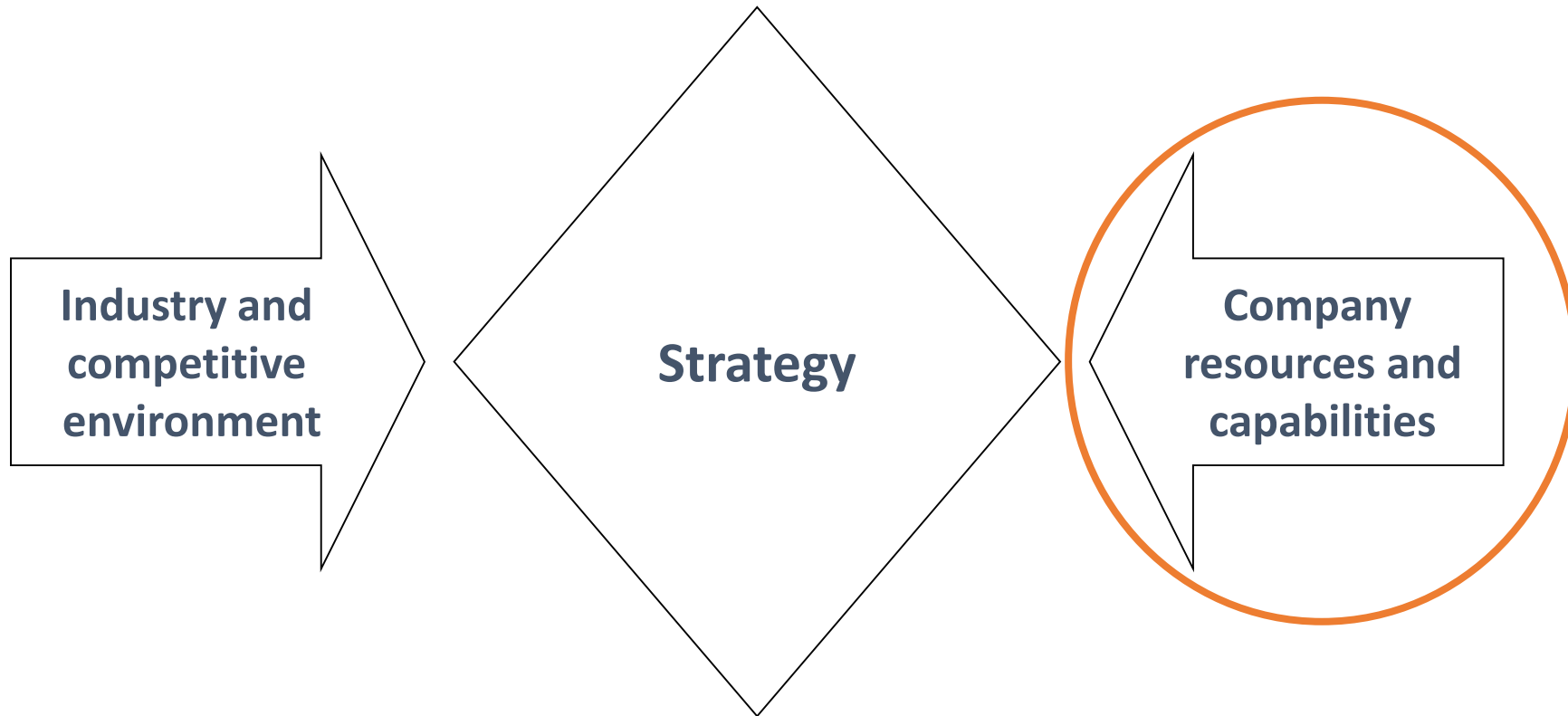
Industry analysis: Porter's five competitive forces



Interpreting industry analyses

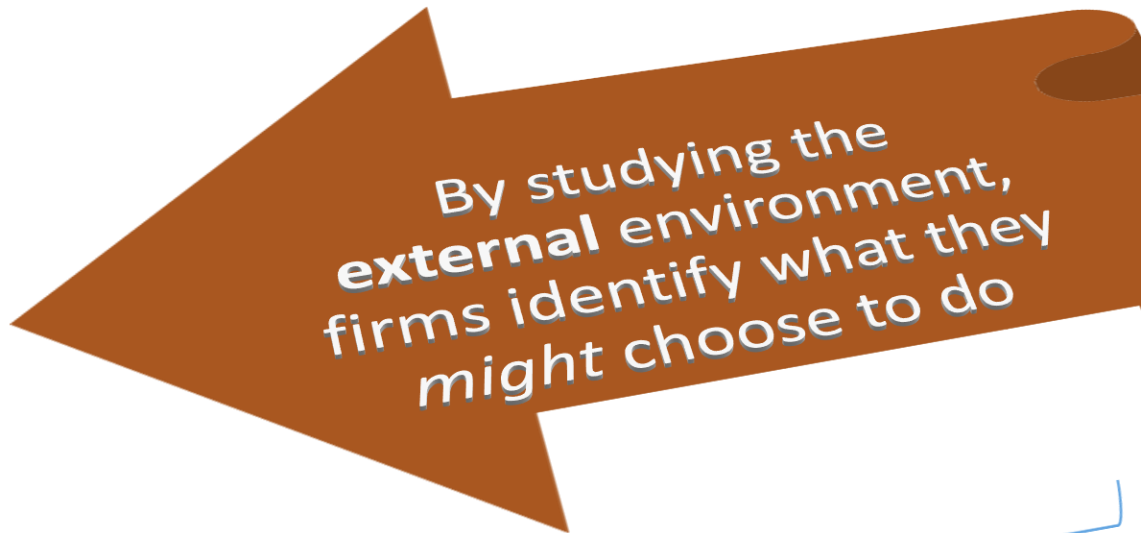


How should you think about strategy?



What we learn from external and internal analyses

SWOT



Identify opportunities and threats

What can we learn from internal analysis?

Internal analysis helps a firm:

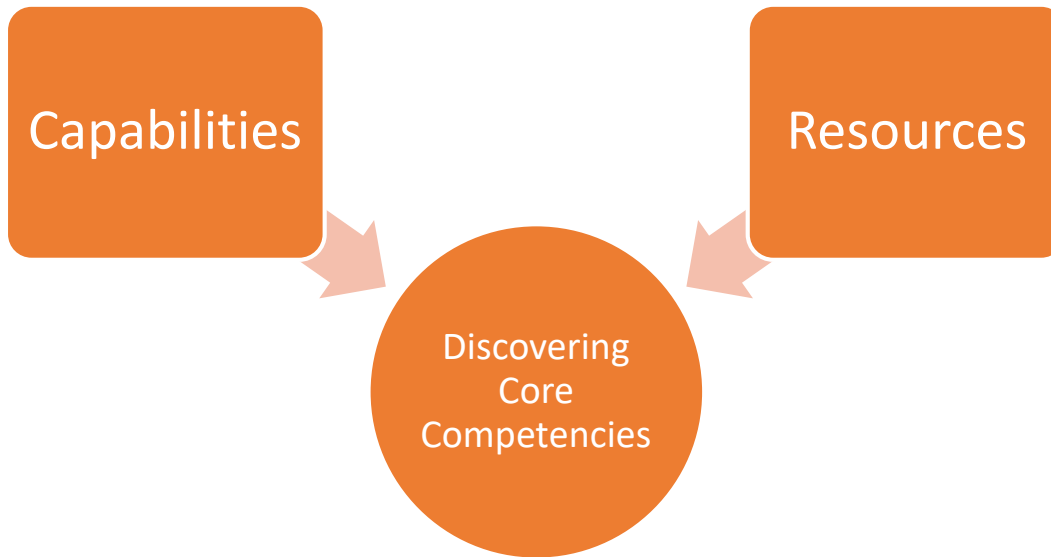
- Determine its resources and capabilities
- Establish strategies that will exploit any sources of competitive advantage
- Determine if the firm lacks any resources/capabilities needed to compete effectively

competitive advantage

Winning in business:

- A value creating strategy that allows an organization to outperform its competitors.

Resources, Capabilities, and Core Competencies



- **Resources**

- Cover a spectrum of individual, social and organizational phenomena
- Tangible?
- Intangible?

Resources, Capabilities, and Core Competencies

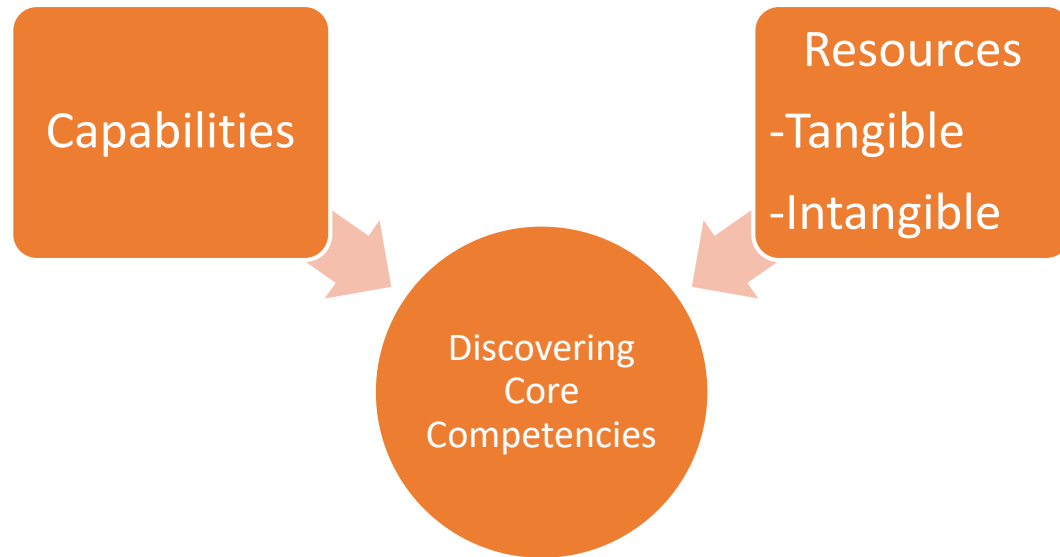
- **Tangible resources**

- **Physical resources** (manufacturing plants and equipment, distribution facilities, land, raw materials)
- **Financial resources** (cash and cash equivalents, marketable securities)
- **Organizational resources** (information systems, quality control systems)
- **Technological assets** (patents, copyrights)

Resources, Capabilities, and Core Competencies

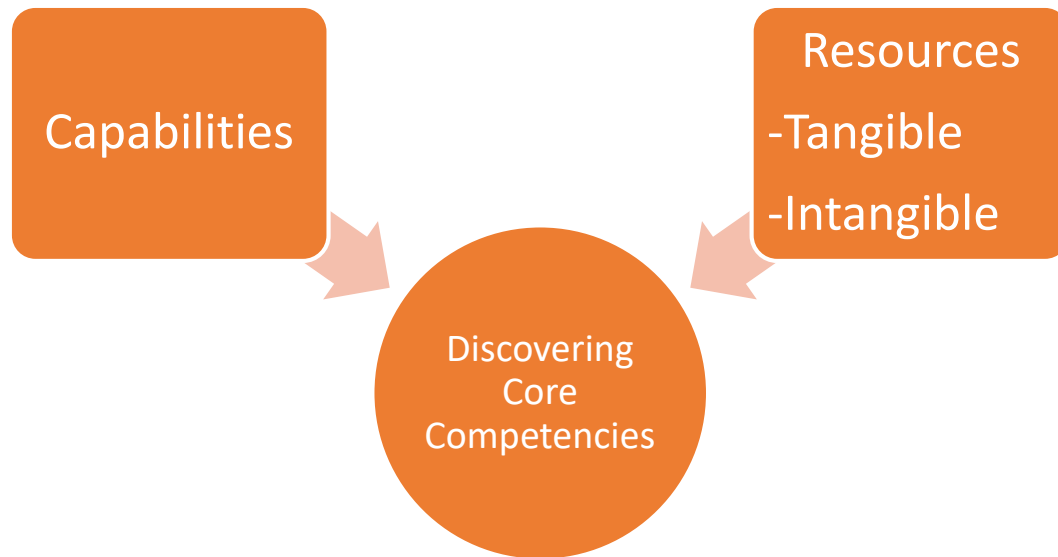
- **Intangible resources**
 - **Human assets and intellectual capital**
 - **Organizational culture** (company values, beliefs, business principles)
 - **Reputational resources** (brand name, perception of product quality, trademarks, buyer loyalty)
 - **Relationships** (strategic alliances, joint ventures)

Resources, Capabilities, and Core Competencies



• Capabilities

- Firm's capacity or ability to integrate individual firm resources
- Emerge over time through complex interactions among tangible and intangible resources



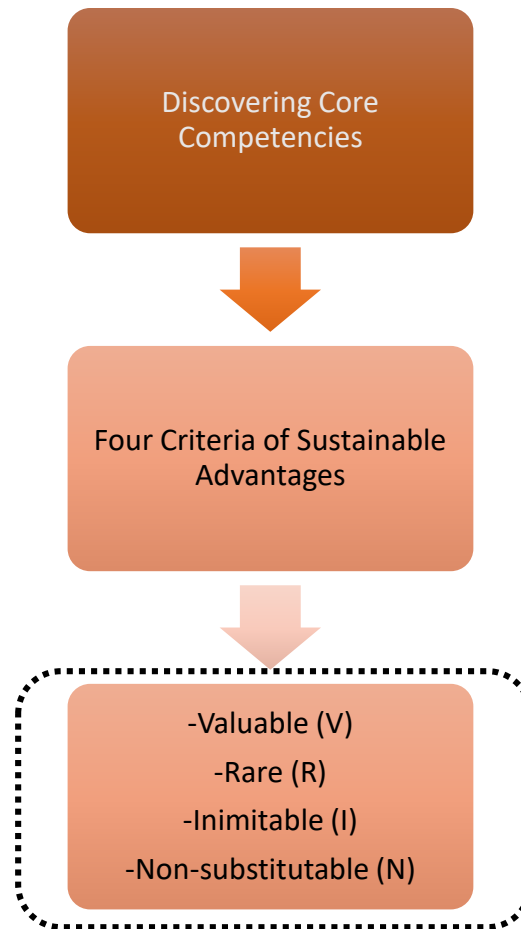
- Core Competencies

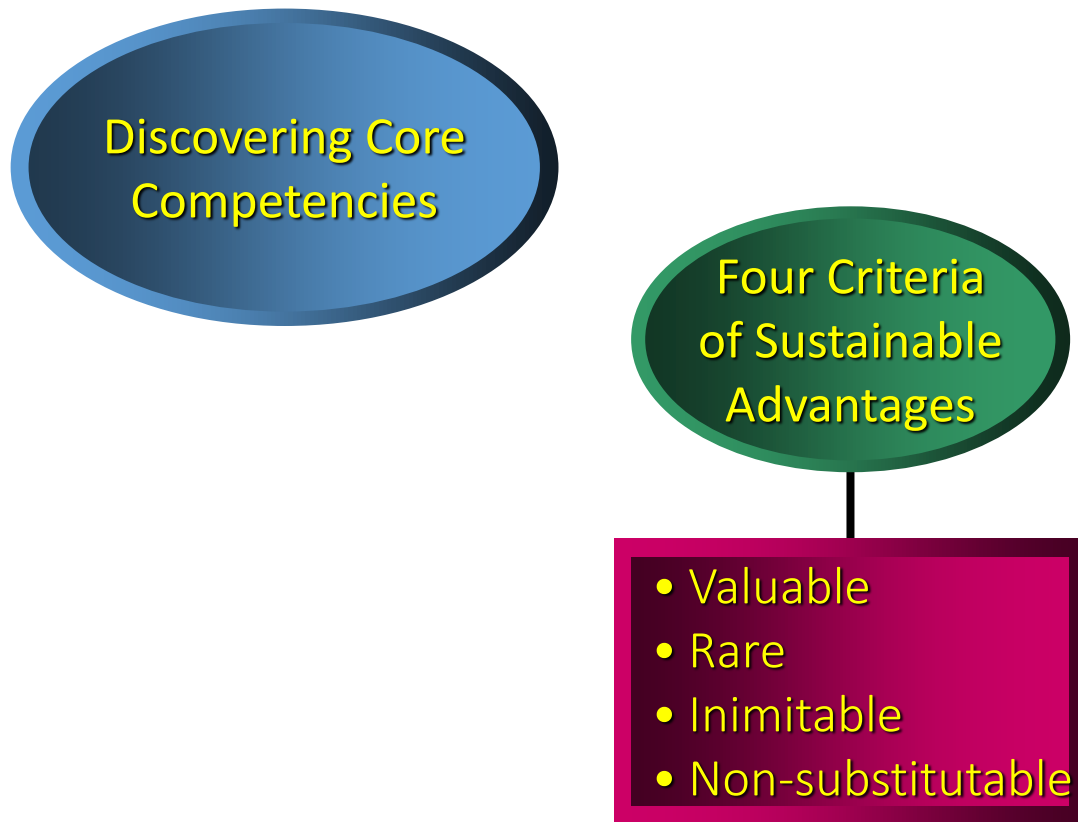
- Activities that a firm performs especially well compared to competitors
- Activities through which the firm adds unique value to its goods or services over a long period of time

Exercise: firms' capabilities

Firm names	Resources or capabilities
Walmart	Operational efficiency and cheap price
Starbucks	Motivating and empowering employees
Amazon	Effective use of logistics management
Apple	Reliable product design and quality

Building Sustainable Competitive Advantage





Valuable: Have the potential to contribute to a competitive advantage

- Examples: product design and brand name

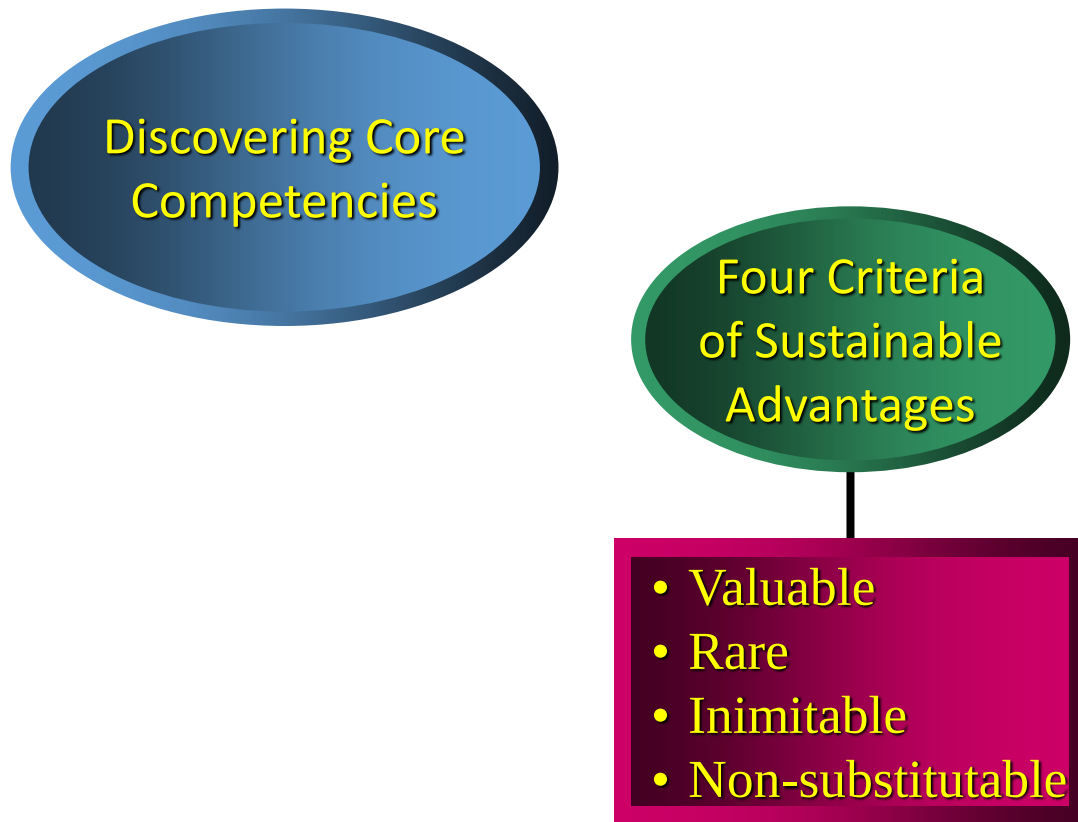
Discovering Core Competencies

Four Criteria
of Sustainable
Advantages

- Valuable
- Rare
- Inimitable
- Non-substitutable

Rare: Resources or capabilities that are not possessed by many others

- Examples: secret formula of Coca-Cola



Inimitable: Resources or capabilities that other firms cannot develop easily, usually due to

- **Unique historical conditions: A unique and valuable organizational culture**
- **Causal ambiguity: The causes and uses of a competence are unclear (e.g., endeavors to replicate Southwest)**
- **Social complexity: Interpersonal relationships, and friendships among managers, suppliers, and customers (e.g., reputation)**

Discovering Core Competencies

Four Criteria
of Sustainable
Advantages

- Valuable
- Rare
- Inimitable
- Non-substitutable

Non-substitutable: Resources or capabilities that do not have strategic equivalents

Outcomes from Combinations of the Criteria for Sustainable Competitive Advantage

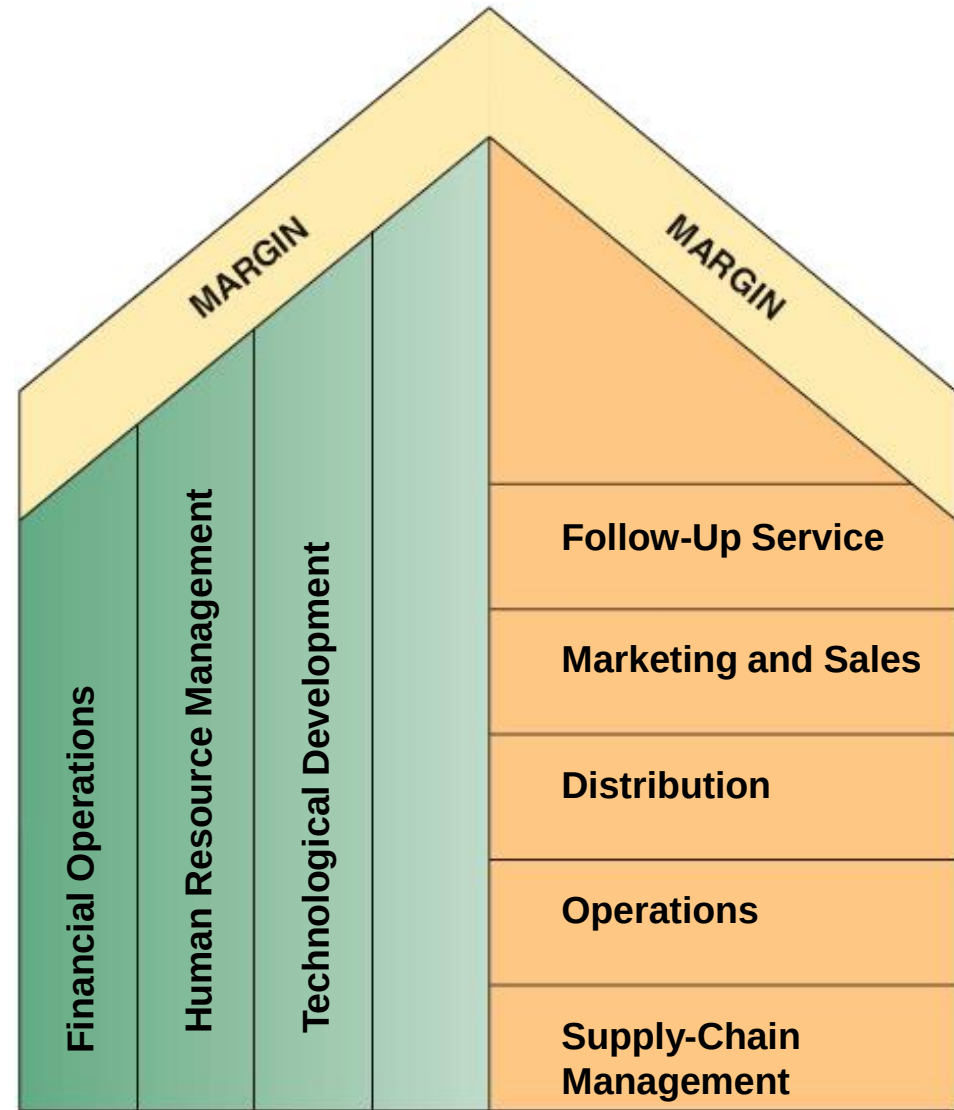
Is the Resource or Capability Valuable?	Is the Resource or Capability Rare?	Is the Resource or Capability Costly to Imitate?	Is the Resource or Capability Nonsubstitutable?	Competitive Consequences	Performance Implications
No	No	No	No	Competitive disadvantage	Below-average returns
Yes	No	No	Yes/no	Competitive parity	Average returns
Yes	Yes	No	Yes/no	Temporary competitive advantage	Above-average returns to average returns
Yes	Yes	Yes	Yes	Sustainable competitive advantage	Above-average returns

Value Chain Analysis

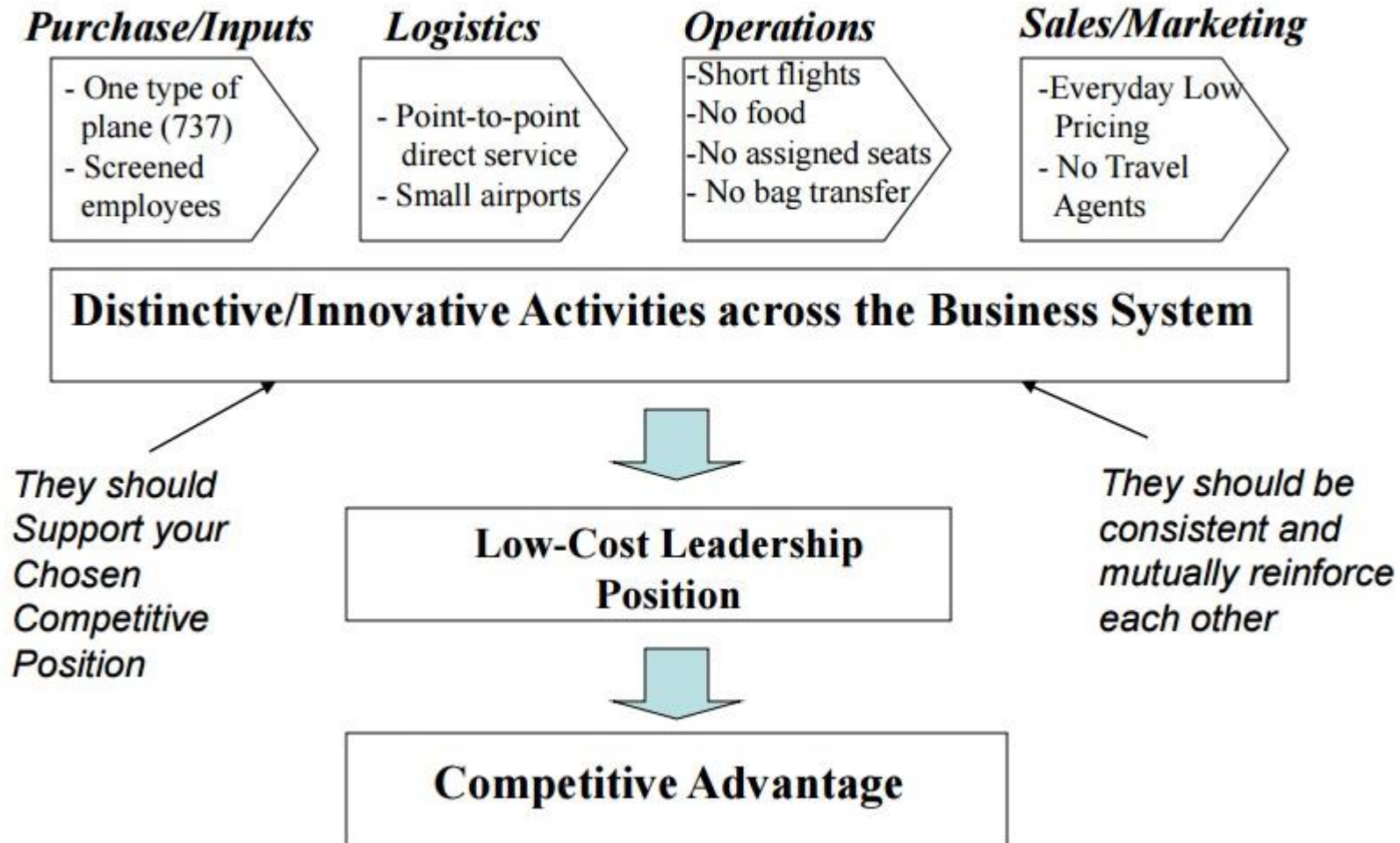
- **Value chain:** shows how a product moves from raw-material stage to the final customer
- Allows the firm to understand the parts of its operations that create value and those that do not

The Basic Value Chain

Each activity should be examined relative to competitors and rated *as superior, equivalent or inferior*



Value Chain Analysis Example: Southwest



Internal Analysis

- Resources and Capabilities: **VRIN Analysis**
- **Value Chain Analysis (VCA)** to see how the resources and capabilities interact, drive firm performance, and reinforce the firm's chosen strategy
- **SWOT Analysis:** Strengths and Weaknesses (from internal analysis), Opportunities and Threats (from external analysis)
- The **key question** is whether your resources and capabilities address opportunities or threats in external environment better than your competitors
- Do you have the right strategy (e.g. cost-leadership vs differentiation) for your resources, for the external environment etc.?

Apple Computers 2002: Assignment Questions

Q1. Why did Apple perform well up to 1984? Think about both industry level and firm level.

Q2. Why did the firm's performance drop between 1985-1997? Think about both industry level and firm level.

Q3. Based on the information in the case, was Steve Jobs able to successfully turn Apple around by 2002 after reassuming leadership of company in 1997? And why?

Powerpoint Slides: Team-Wise Assignment of Question

- Each team will make **3 Powerpoint Slides max** (excluding the cover-page) to present your analysis for one of the three earlier questions – the question assigned to your team to make the Slides is given below
 - Teams 1, 2, 3: Q1 only
 - Teams 4, 5, 6: Q2 only
 - Teams 7, 8, 9: Q3 only

Please submit electronic copies of your Slides on

<https://rice.app.box.com/f/5c14635c896c4498b862e331a486348d>

Name your files as “Team X.pptx”

(by 5:00 pm 09/24 Thursday)

About presentations

- On 09/25, I will randomly pick one team for each Q to present.
- Take your time (5 ~8 minutes)
- Speak clearly
- Organize information and present logically

Submit files

Upload files *

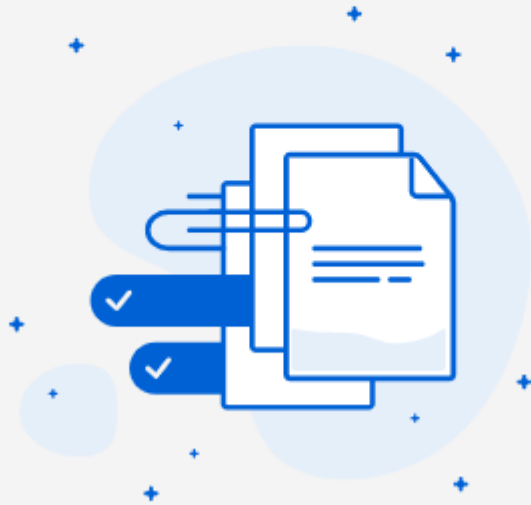


Drag and drop files

Select Files

Submit

Success! Your file has been submitted.



- Please come to class on time next Friday.