

SBNM 5230
Competitive and Industry Analysis
Spring, Quad A
Wednesday evenings, 6:30 - 9:50 PM

L. SUNDHOLM
SBNM Building
5043 N. Spaulding Ave.
773 - 244 – 5715
Fax: 773 – 244 - 5285
lsundholm@northpark.edu

Required texts (2 volumes): *Competitive and Industry Analysis*, McGraw-Hill, Special edition, ISBN 0-390-79182-2. The texts are available in the NPU bookstore.

PURPOSES OF THE COURSE

Students will apply the fundamental concepts of economics, management, and strategy in the process of analyzing the problems and issues faced by business firms. Students will learn how to evaluate, analyze, and integrate the organizational, technological, and informational structure of business firms. Students will learn how business firms use knowledge and information, with applications to evaluating decisions made by firms. Business research methods and databases will be presented and case studies used within the texts.

➤ **COURSE IDEA OBJECTIVES:**

- (1) Students will gain factual knowledge in the form of terminology, classification methods, and trends
- (2) Students will become able to comprehend fundamental principles, generalizations, or theories
- (3) Students will become able to apply course material to improve thinking, problem solving, and decision-making

In order to begin the analysis, we must ask some basic questions:

- ◇ What is a market? What is the “extent” of a market?
- ◇ What is an industry?
- ◇ What market(s) will the firm enter?
- ◇ How does the firm allocate scarce resources efficiently in order to achieve managerial goals?
- ◇ What knowledge and information do managers require in order to formulate competitive strategy?
- ◇ How will the firm differentiate its product(s), and how will the firm determine pricing policy in its markets?
- ◇ How does the firm gain and maintain “competitive advantage”?
- ◇ What is “knowledge management”?

Assigned material, supplemented by the development of business research sources and methods, will provide the basic learning format. Firms operate in an overall economic environment, within an industry, based on a unique organizational (architectural) structure. Business analysis is framed within the context of the competitive strategy used by the firm.

Contemporary analysis of *value*, both as an economic concept and as an ethical concept, will be explored in the course. Students will become acquainted with the topic of leveraging information technology and corporate knowledge in order to build a company's capacity to learn in a continually changing economic environment.

ADAM SMITH AND BUSINESS ETHICS

Adam Smith in, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), thought that self-interest worked to everyone's advantage. Given the human propensity to "truck, barter, and exchange," the market system provided the forum for producers to serve the needs of consumers for goods, while, at the same time, satisfying their own requirements for income. Smith was, in fact, a professor of moral philosophy, and had earlier published *The Theory of Moral Sentiments* (1759). Here Smith had based societal bonds on each member's mutual recognition of sympathy or empathy for the plight of others.

COMPETITIVE FORCES AND CHANGE

In the process of managing change, companies are forced to cope with new situations. Change may be internal or structural, occurring as the company reorganizes or enters new markets. Change might be brought about by competitive forces or new technology. Change may also be forced on the organization through the outside force of government regulations, or through changes in the international economy.

Because the results of change are not always predictable, persons within organizations tend to resist or try to avoid it. Research in the 1940's, based on a behavioral science approach to the workplace, set the stage for what is now called Organizational Development (OD).

STRATEGY

The term **strategy** is used to identify how a firm responds to change. The process of formulating and implementing strategy is known as **strategic planning**. According to Michael Porter, strategy is formulated to cope with the forces of the firm's competitive environment.

Business firms are required to make overall (corporate) *strategic choices* regarding the *utilization of resources* consistent with meeting the firm's objectives. The firm decides on policies establishing the types of businesses in which it will engage (business level strategy). Methods of competing in each market must be set forth, within the context of the state of technology.

The firm's strategic planning process then moves on to functional strategy by identifying the appropriate and related roles of the *functional areas* of the business, including production, marketing, finance, and human resources. A coordinated system known as organizational structure (or, organizational

architecture) is established. This step ensures the alignment of *strategy* with *structure*.

ON KNOWLEDGE AND INFORMATION

Stan Davis and Jim Botkin in, "The Coming of Knowledge-Based Business," (*Strategies for the Information Economy*, 1994), distinguish between *data*, *information*, and *knowledge*. The authors regard *data* as "the basic building blocks of the information economy and of a knowledge-based business....(N)umbers, words, sounds, and images." When data are arranged "into meaningful patterns" they become *information*. Information which results in learning is *knowledge*. Thomas H. Davenport and Laurence Prusak in, Working Knowledge How Organizations Manage What They Know, (*Harvard Business School Press*, 1998), define *knowledge* as:

a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms.

Some historical background: According to Peter F. Drucker in, "The Information Executives Truly Need," (*Harvard Business Review*, January-February, 1995):

(Firms)...have to be managed as going concerns, that is, for *wealth creation*. To do that requires information that enables executives to make informed judgments.

Drucker explains that necessary information may be gathered using "four sets of diagnostic tools":

- **Foundation Information:** basic accounting information and ratio analysis
- **Productivity Information:** total factor productivity and Economic Value Added (EVA)
- **Competence Information:** core competencies, innovation, and benchmarking
- **Resource-Allocation Information:** the allocation of scarce resources—capital and people

STRATEGY AND KNOWLEDGE

When *data* are arranged in a given format we obtain *information*. Drucker's concept of *strategy* requires "organized information about the environment." Information is "a measure on which to base future action." Knowledge results when information produces learning. The essence of the business world today is *change*. Gary Hamel and C. K. Prahalad in, Competing for the Future, (*Harvard Business School Press*, 1994) believe that firms who "get to the future first" will be those which decisively respond to change. "Competition for the future is competition to create and dominate emerging opportunities." Firms must recognize, leverage, and compete based on their core competence.

Hamel and Prahalad's view of strategy is, "different from what prevails in many companies." Appropriate strategy must recognize "that a firm must *unlearn* much of the past before it can find the future." Learning and "unlearning" are not necessarily contradictory, but, rather, are different aspects of a continuing process.

WHAT IS AN ORGANIZATION?

An **organization** is a continuously existing group of people, differentiated by activities, authority, and responsibilities, sharing a common set of purposes or goals, interacting within a changing environment. Organizations may be of a business (profit and nonprofit) nature. We also find organizations in religious, military, and political forms. All forms of organizations require *management*.

Management is the process by which resources are allocated toward accomplishing the goals of the organization, and applies to every form of organization.

Change is the dominant fact of organizational life, and a significant challenge for managers everywhere. Change may be economic, demographic, political, social, or technological. In business organizations, individuals, teams, divisions, and departments must adjust.

Current management jargon is filled with terms suggesting a move from the static to the dynamic, including *delaying*, *downsizing*, *moving from the vertical to the horizontal corporation*, *outsourcing*, *reengineering*, *reinventing* and *restructuring*. In the world of business, competitive and behavioral economic analysis, managerial decision-making, strategic planning, and the efficient use of knowledge and information are all integrally related.

We may summarize by recognizing that a firm's competitive advantage may be leveraged in the process of strategic planning. Competitive advantage is based on the firm's core competency, and its ability to properly assess the relationship between the market, organizational architecture, and production and cost.

POLICY STATEMENTS

Academic Honesty

In keeping with our Christian heritage and commitment, North Park University and the School of Business and Nonprofit Management are committed to the highest possible ethical and moral standards. Just as we will constantly strive to live up to these high standards, we expect our students to do the same. To that end, cheating of any sort will not be tolerated. Students who are discovered cheating are subject to discipline up to and including failure of a course and expulsion.

Our definition of cheating includes but is not limited to:

1. Plagiarism – the use of another’s work as one’s own without giving credit to the individual. This includes using materials from the internet.
2. Copying another’s answers on an examination.
3. Deliberately allowing another to copy one’s answers or work.
4. Signing an attendance roster for another who is not present.

In the special instance of group work, the instructor will make clear his/her expectations with respect to individual vs. collaborative work. A violation of these expectations may be considered cheating as well.

For further information on this subject you may refer to the Academic Dishonesty section of the University’s online catalog.

In conclusion, it is our mission to prepare each student for a life of significance and service. Honesty and ethical behavior are the foundation upon which such lives are built. We therefore expect the highest standards of each student in this regard.

Attendance Policy for Graduate Courses

The graduate courses in the SBNM are all 7 weeks in length. Missing one class session is allowed without penalty as long as all readings and assignments are made up by the student within a reasonable time period (the following week). Failing to log into an online course site for an entire week is allowed, but a penalty may be applied at the instructor’s discretion. Missing a second class session is allowed only in unusual circumstances by prior arrangement with the instructor. Since this represents almost 30% of the engagement time for the course, the student runs the risk of receiving a lower overall grade for the class. Faculty are encouraged to drop the course grade by a full letter grade in this situation. A student who misses three classes (or the equivalent two weeks for an online class) will automatically fail the course, unless the student drops the course before the seventh week of class. Students who drop a course will be held responsible for tuition, based upon the current North Park University refund policy outlined in the University Catalog.

Attendance Policy for Undergraduate Courses

Attendance and participation are vital. Thus, students are expected to attend every class session, and to arrive on time – tardiness is undesirable and disruptive to your fellow classmates. This course has a strict requirement of documented, advance notification. If you are unable to attend any class session, you are to inform me (preferably by email) **prior to** that session. You need to provide a reason for your absence.

Failure to provide advance notification will result in an unexcused absence. Be advised that poor attendance can affect your grade adversely

APA Requirement

The School of Business and Nonprofit Management (SBNM) has adopted the *Publication Manual of the American Psychological Association* (APA) as the standard and required format for all written assignments in SBNM courses.

Our goal in adopting the *APA Manual* is to enhance student learning by:

- 1) Improving student's writing skills.
- 2) Standardizing the required format of all written assignments in all SBNM courses.
- 3) Emphasizing the importance of paper mechanics, grammatical constructs, and the necessity of proper citations.
- 4) Holding students accountable for high quality written work.

If you are unfamiliar with the requirements of the *APA Manual*, we recommend that you purchase the reference manual and/or that you consult one or more of the suggested resources as listed on the Student Resources section of the SBNM website. ***It is your responsibility to learn and ensure that all written work is formatted according to the standards of the APA Manual.***

Students with Disabilities

Students with disabilities who believe that they may need accommodations in this class are encouraged to contact your program's office (Business: 773-244-6270). Please do so as soon as possible to better ensure that such accommodations are implemented in a timely manner. For further information please review the following website: <http://www.northpark.edu/Campus-Life-and-Services/Disability-Resources>

Each week study questions and related assignments will be distributed in class.

Assignments: Readings and Topics

<u>Week</u>	<u>Chapters in <i>Competitive and Industry Analysis</i> Brickley, Smith, Zimmerman</u>	<u>Baye</u>
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1	1 - 3	1
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Economic behavior; economic analysis
for managerial decisions; business ethics

2	4	2 - 3
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Business reference sources, databases;
Research methods; applied quantitative
analysis

<u>Week</u>	<u>Chapters in <i>Competitive and Industry Analysis</i> Brickley, Smith, Zimmerman</u>	<u>Baye</u>
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3	6 - 7	5 - 9
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Organizational structure/architecture;
constraints placed on the firm by production
and costs; market structure and market
power

Assignments: Readings and Topics

4	8 - 9	10
	Strategy, creating value; game theory	

EXAMINATION 1

5		12 - 13
	Knowledge and information; core competency; developing competitive advantage	

<u>Week</u>	<u>Chapters in <i>Competitive and Industry Analysis</i> Brickley, Smith, Zimmerman</u>	<u>Baye</u>
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6	11, 19, 22, 23	
	Organizational ethics; organizational architecture; combining structure and strategy	

Assignments: Readings and Topics

7

Discussion: Economic analysis, the managerial process, and working knowledge

In the managerial process, firms are forced to cope with new situations. The proper combination of economic analysis as managerial tools, the identification of core competency, and the effective use of knowledge and information are all essential for firms to stay competitive.

EXAMINATION 2