

# STRATEGIC MANAGEMENT

<b>Course code</b>	<i>MNG109</i>
<b>Course title</b>	<i>Strategic Management</i>
<b>Type of course</b>	<i>Main</i>
<b>Semester</b>	<i>7<sup>th</sup> semester,</i>
<b>ECTS</b>	<i>6; 48 acad. hours of lectures and other in-class activities, 112 acad. hours of self-study, 2 hours of consultations</i>
<b>Coordinating teacher</b>	<i>Benas Adomavičius, Irina Liubertė</i>
<b>Studies form</b>	<i>Full-time</i>
<b>Prerequisites</b>	-
<b>Language of instruction</b>	<i>English</i>

## Course description

Strategic Management course focuses on the concept of strategy development and implementation by exploring the functions and nature of general management. Strategic management concepts and techniques are studied. The course serves as an opportunity to develop skills for strategic thinking and analysis, understanding of the major strategic problems of an organization, formulating business level strategies. The pedagogical approach includes lectures, computer simulation, practices, group and individual work by students.

This course integrates all the knowledge acquired from various functional courses, coupled with new strategic management techniques learned, to chart the future direction of different organizations into a coherent view of an organisation. As such it requires the use of materials and knowledge gained during previous studies various disciplines of management.

## Course aims

To provide students the fundamental knowledge of strategic management concepts and techniques; to enable students to identify the key problem in complex, comprehensive situation. The major responsibility of students in this course to make objective strategic decisions and present well-supported recommendations for future action while justifying them through oral and written communication.

<b>Course learning outcomes (CLO)</b>	<b>Study methods</b>	<b>Assessment methods</b>
CLO1. To develop an understanding of the elements of the Strategic Management process, research and theories.	Lectures, Marketplace computer simulation, self-study	Exams, Marketplace simulation results and group presentations
CLO2. To be able to analyze micro and macro environments; implement an industry analysis and be able to apply strategic evaluation tools to understand how a business is operating	Lectures, Marketplace computer simulation, self-study	Exams, Marketplace simulation results and group presentations
CLO3. To be able to describe and to analyze the impact of economic, social, political, and cultural variables which affect a business operation.	Lectures, Marketplace computer simulation, self-study	Exams, Marketplace simulation results and group presentations
CLO4. To learn how to apply the Strategic Management process to real life business cases and develop recommendations to help firms create and sustain competitive advantage.	Lectures, Marketplace computer simulation, self-study	Exams, Marketplace simulation results and group presentations.
CLO5. To be able to summarize the options available for the company, to defend the recommendations. Evaluate the strategic rationale for each alternative and assume the risks of an organization.	Lectures, Marketplace computer simulation, self-study	Exams, Marketplace simulation results and group presentations
CLO6. To be able to work in a team, to present work results in written or oral form, to be able to argue decisions	Marketplace computer simulation, group work	Marketplace simulation results and group presentations.



## Quality management

The quality of the course is assured by the variety of teaching and learning methods (combination of lectures, discussions, in-class activities, computer simulation, and student presentations), evaluation of individual and group work, simulation results, and other assignment results.

## Cheating prevention

A variety of assignments for individual and group work, which should be prepared in a written form (as a business plan) and presented in a class with the MS PowerPoint, reduces chances for plagiarism. During the exam, cheating possibilities are prevented by some assistance from the teaching staff (e.g. PhD students).

## Required Readings

1. Johnson, G., Scholes, K., Whittington, R. Exploring Strategy, 9th Edition, Prentice Hall, 2011.

## Course Structure

The course is structured as a combination of lectures, discussions, in-class activities, computer simulation, and student presentations. It requires a substantial amount of preparation by the students and active involvement during class. Four academic hours of each topic will be devoted to the theory of strategic management and will have a format of a lecture with discussion. Additional time will be set aside for group based computer simulation and discussions. The students will be required to present their business plans for a virtual venture to attract investment.

## Course content:

Final dates, times and locations of lectures will be posted on elearning.ism.it platform.

Lecture	Topic	In-class hours		Read
		Theory	Practice	
02.04 10:10-13:20	Introduction to Strategic Management course	4	0	<a href="#">[1, Chapter 1]</a>
2. 02.11 10:10-13:20	Introduction to course and starting marketplace simulation. Formation of student teams and student registration for the simulation.	1	3	Read student guide to simulation and other provided materials
3. 02.18 10:10-13:20 Mantas Tursa	External analysis: The environment	4	0	<a href="#">[1, Chapter 2]</a>
4. 02.25 10:10-13:20 Mantas Tursa	Internal analysis: Strategic capability	4	0	<a href="#">[1, Chapter 3]</a>
5. 03.03 10:10-13:20 Mantas Tursa	Strategic purpose	4	0	<a href="#">[1, Chapter 4]</a>

	MARKETPLACE SIMULATION: Lecture on marketplace simulation business plan preparation (VIDEO)	-	-	<a href="#">Watch video online</a>
6. 03.10 10:10-13:20	Business-level (competitive) strategy	4	0	<a href="#">[1, Chapter 6]</a>
7. 03.17 8:30 – 17:20	MARKETPLACE SIMULATION: Business plan presentation by teams	4	0	<a href="#">Read provided materials</a>
8. 03.24 10:10-13:20	Strategic directions and corporate level strategy	4	0	<a href="#">[1, Chapter 7]</a>
9. 03.31 10:10-13:20	Mergers acquisitions and alliances Evaluating and choosing strategies	0	4	<a href="#">[1, Chapter 10 and 11]</a>
10. 04.07 10:10-13:20	MARKETPLACE SIMULATION: Executive briefing. Teams review their performance and plans for future.	0	4	-
11. 04.28 8:30 – 17:20	MARKETPLACE SIMULATION: Presentation of simulation results: Report to the board of directors	0	4	-
12. 05.05 10:10-13:20	Marketplace results overview Review of key course concepts	4	0	0
TBA <sup>1</sup>	<b>FINAL EXAM</b>	-	-	<a href="#">All lecture materials (excluding marketplace simulation)</a>
Total:		<b>33</b>	<b>15</b>	

#### Course assignments and evaluation

Type of assignment	Topics	Total hrs.	Contribution towards final course grade, %
<b>Final exam</b> – It will consist of several multiple-choice and / or open-ended questions. The exam will focus on applying skills and knowledge learned in this course. Exam <b>will NOT</b> test marketplace simulation knowledge or materials.	ALL LECTURE MATERIALS	56	50%
<b>Marketplace simulation</b> – each student in the course will be a member of a group, which will be managing a virtual company in a global market, competing with other teams in	-	56	

<sup>1</sup> TBA – To be announced later

the course. Marketplace evaluation will consist of 3 separate grades for:			
• Business plan presentation			15%
• Final report to the board of directors			15%
• Team simulation performance			20%
<b>Total:</b>		<b>112</b>	<b>100%</b>

### Explanation of assignments

#### End-semester individual written final exam

End-semester individual written final exam is given to students to check upon the scope (theoretical and practical) and depth of knowledge gained in this course. The exam will include material covered during class sessions and reading assignments. Exam **will not** include any questions about marketplace simulation. The Exam will consist of multiple choice, crossword and open-ended questions. The accumulative weight of the Final Exam is 50%.

The final grading for the course is calculated according to the accumulative formula as indicated in the Guidelines for the Bachelor Studies at ISM. Negative grades (below 5) are not included into the accumulative grading system.

The individual and group work evaluations are of accumulative origin with respect to the final evaluation taking into account only positive evaluations of each assignment. In case of negative final grade, student is allowed to retake final exam. The weight of the retake in the final grade is 50%. Other assignments cannot be retaken, but their evaluation is not annulled.

#### Marketplace simulation (50%)

This course will employ the Marketplace simulation as a learning environment. The exercise is a transformational experience. You will learn what it's like to compete in the fast-paced, competitive market where customers are demanding, and the competition is working hard to take away your business.

In the Marketplace, you start up and run your company, struggling with business fundamentals and the interplay between marketing, distribution, operations, finance, and accounting. You are given control of a simulated business and must manage its operations through several decision cycles. Repeatedly, you must analyze the situation, plan a business strategy to improve it and then execute that strategy out into the future. You face uncertainty from the outside environment and your decisions. Incrementally, you learn to skillfully adjust your strategy as you discover the nature of your real-life decisions, including the available options, linkages to other parts of the business, conflicts, tradeoffs and potential outcomes.

#### Marketplace simulation grades

**Your marketplace simulation evaluation will consist of following grades:**

1. **Business plan presentation** - 15% of the course grade.
2. **Report to the board of directors presentation** - 15% of the course grade.
3. **Team simulation performance** - 20% of the course grade. A cumulative balanced scorecard for quarters 5 through 8 will be used to judge the success of each firm. A team's grade will be determined by its relative ranking on the CBSC compared to the other companies in its industry. In the game, teams of the students (as business companies) will be automatically rated by a balanced scorecard composed of various business factors that are fully explained in the game manual online. The winning team will be graded 10, the runner-up will get 9, third placed – 8, and other teams accordingly 7, 6 and 5. Teams whose companies are bankrupt and don't show effort in trying to turn the situation around will get a failing grade. Grades can be adjusted by the instructor based on the final score of the balanced scorecard and teammate evaluation scores.

Each team will deliver an oral presentation of the Business Plan and the Report to the Board of Directors. The team will be expected to make a professional presentation (including attire) using an assortment of visual aids. Moreover, the details of the market analyses and strategy must be carefully laid out in appropriate handouts. There is no written Business Plan or Report to the Board. The dress code is business professional.

Guidelines for the preparation of the business plan and the final report will be posted on elearning.ism.it. Rubrics that explain the evaluation process will be posted there as well.

#### **Peer Evaluations**

A peer evaluation will be completed for each person on the team. Significant deviation in performance above or below the **norm will be used to adjust** individual student grades for the activity being evaluated (adjustment table is provided below).



That is, your grade on the Business Plan, Report to the Board and Simulation performance could be adjusted up or down depending upon the feedback the instructor receives from the rest of the team on your input on team's performance.

Average Score on Peer Evaluation	Grade point adjustments
3.75 and more	0.0
3.25 to 3.74	-1.0
3.24 to 2.75	-2.0
2.74 to 2.25	-3.0
< 2.25	-4.0

### You Can Be Fired

It is permissible to fire a team member who is not making a substantive contribution to the success of the team. Missed meetings, poor preparation, failure to complete assignments, etc. are all indicative of underperformance. Before a person can be fired, the team must give the student an opportunity to correct his or her behavior.

The team must provide the student with a written statement of the problems associated with his or her work. A peer evaluation may be used in conjunction with this statement.

When an individual receives a poor performance report, the student must respond in writing as to how he or she will correct the problems cited. A reasonable time should be given to correct problems cited. If the problems continue, the team may fire the underperforming team member with a letter of dismissal. A copy of all correspondence must be submitted to the instructor for approval.

A person who is fired will be assigned a different task by the instructor.

Being fired will also limit the student's maximum potential grade by two grades. Specifically, 20 % of the grade will be deducted from the student's final point score for all completed marketplace assignments. Thus, if the student earned a final score of 90 out of 100%, then the final adjusted score would be 70%. The final grade would be based upon the final adjusted score.

The same conditions will be applied if a person quits a team.

### Questions to the lecturer.

The help files in the software contain all of the directions you will need to participate in the strategic business simulation. Nonetheless, there is a tendency for students to ask lecturer for help rather than look in the help files. With the number of students currently playing the game, it can become a very large burden. For this reason, the lecturer will charge \$10,000 to answer any question **already addressed in simulation help files**.

### Sequence of simulation activities

Quarter 1: Organize team to do the job	<ul style="list-style-type: none"> <li>Focus on process of working as a team to achieve goals               <ul style="list-style-type: none"> <li>assess team members' skills, personalities, &amp; work styles,</li> <li>set organizational and personal goals,</li> <li>organize the work,</li> <li>determine how to manage the organization,</li> <li>establish leadership.</li> </ul> </li> </ul>
Quarter 2: Evaluate market opportunities, setup operations & prepare for test market	<ul style="list-style-type: none"> <li>Analyze market opportunities -- evaluate segments, geographic markets &amp; potential competition</li> <li>Select target segments</li> <li>Create customer value -- design initial brands for test market, match components to benefits desired (quality function deployment (QFD)), evaluate impact of different components on changeover costs &amp; scale economies</li> <li>Setup manufacturing operations -- evaluate financial tradeoffs, compare regional cost differences of labor and distribution on plant location, evaluate economy &amp; liquidity of different capacity investments</li> <li>Select test markets -- setup sales offices</li> </ul>

Quarter 3: Go to market to test strategy and market assumptions	<ul style="list-style-type: none"> <li>• Sales office management               <ul style="list-style-type: none"> <li>- Hire sales people—assign to segments</li> <li>- Set brand prices—price promotions</li> <li>- Set sales priority</li> <li>- Choose POP displays</li> <li>- Open new sales offices (Optional)</li> </ul> </li> <li>• Advertising               <ul style="list-style-type: none"> <li>- Ad copy design</li> <li>- Media placement and ad frequency</li> </ul> </li> <li>• Establish production plan for quarter               <ul style="list-style-type: none"> <li>- Forecast demand by brand</li> <li>- Set target and replenish points</li> <li>- Set daily production schedule for each brand</li> </ul> </li> <li>• Budget market research</li> <li>• Sell common stock to executive team</li> <li>• Compute pro forma cash flow</li> </ul>
Quarter 4: Evaluate test market performance and revise strategy, become a learning organization.	<ul style="list-style-type: none"> <li>• Evaluate financial performance               <ul style="list-style-type: none"> <li>- Profitability analysis</li> </ul> </li> <li>• Evaluate market performance               <ul style="list-style-type: none"> <li>- Customer opinion—brand designs, prices, advertising, and sales force</li> <li>- Market demand—by company and brand</li> <li>- Competitor tactics—segments targeted and selection of marketing tactics</li> </ul> </li> <li>• Budget market research</li> <li>• Revise marketing tactics as needed, and continue test marketing               <ul style="list-style-type: none"> <li>- Brand designs</li> <li>- Brand prices, priority, and POP displays</li> <li>- Sales office locations</li> <li>- Sales force numbers and assignments</li> <li>- Advertising copy and media placement</li> </ul> </li> <li>• Revise production decisions as needed               <ul style="list-style-type: none"> <li>- Fixed capacity</li> <li>- Scheduling options</li> </ul> </li> <li>• Sell common stock to executive team</li> <li>• Compute pro forma cash flow</li> </ul>
Quarter 5: Seek external funding—prepare business plan and negotiate equity investment.	<ul style="list-style-type: none"> <li>• Evaluate financial performance               <ul style="list-style-type: none"> <li>- Profitability analysis</li> </ul> </li> <li>• Evaluate market performance               <ul style="list-style-type: none"> <li>- Customer opinion—brand designs, prices, advertising, and sales force</li> <li>- Market demand—by company and brand</li> <li>- Competitor tactics—segments targeted and selection of marketing tactics</li> </ul> </li> <li>• Develop two year business plan               <ul style="list-style-type: none"> <li>- Goals—marketing, financial and ownership</li> <li>- Marketing strategy</li> <li>- Manufacturing strategy</li> <li>- Financial strategy</li> <li>- Pro forma cash flows and financial statements</li> <li>- Size of equity request, number of shares offered, and share price</li> </ul> </li> <li>• Present business plan to venture capitalists and negotiate equity investment</li> <li>• Invest in R&amp;D for new technology</li> <li>• Begin global roll out of business plan</li> </ul>
Quarter 6: Monitor, improve, and execute.	<ul style="list-style-type: none"> <li>• Evaluate team—self-assessment of roles played, contributions made, and adjustments needed</li> <li>• Evaluate performance—financial, marketing, and competitive</li> <li>• Skillfully adjust strategy</li> <li>• Marketing—make incremental changes in tactics               <ul style="list-style-type: none"> <li>- Use activity based costing (ABC) to evaluate profitability of brands and sales offices</li> <li>- Conduct demand analysis to estimate brand, price, advertising, and sales force elasticity</li> <li>- Continuously improve brand features (R&amp;D)</li> </ul> </li> <li>• Manufacturing               <ul style="list-style-type: none"> <li>- Fixed capacity</li> <li>- Scheduling options</li> </ul> </li> <li>• Compute pro forma cash flow</li> </ul>
Quarters 7 & 8: Continue to monitor, improve, and execute.	<ul style="list-style-type: none"> <li>• Manage strategy               <ul style="list-style-type: none"> <li>- Unanticipated competitive moves</li> <li>- Financial capability</li> </ul> </li> <li>• Continuously improve brands</li> </ul>

	<ul style="list-style-type: none"> <li>- R&amp;D</li> <li>- Pricing</li> <li>- Promotions</li> <li>- Sales force</li> <li>• Manufacturing <ul style="list-style-type: none"> <li>- Fixed capacity</li> <li>- Scheduling options</li> </ul> </li> <li>• Compute pro forma cash flow</li> </ul>
Final Quarter: Report to the board.	<ul style="list-style-type: none"> <li>• Report on operations since presentation of business plan <ul style="list-style-type: none"> <li>- Market and financial performance</li> <li>- Valuation of the firm</li> <li>- Departures from plan, justification</li> </ul> </li> <li>• Present plan for the future</li> </ul>

### **Extra assignment (up to 10% of bonus)**

During this course, an extra assignment may be provided for up to 10% of final grade. If such assignment is provided, it will be available to ALL students. Typically it involves analysis and evaluation of real business strategies in Lithuania and/or beyond. Additional information will be provided during the course.

### **Grading**

50% of the final grade will be based on an individual written exams (multiple choice and or / open-ended questions). Exams will cover all of the theoretical literature which was covered in class. Students are permitted to answer open-ended questions in English or Lithuanian.

Students who receive a failing final grade shall have the right to re-take the exam, which will comprise 50 % of the final grade. Simulation project grade cannot be retaken at a later time.

### **Evaluation criteria**

#### *Individual work:*

- Keeping deadlines;
- Provided questions answered fully and supported through arguments/evidence;
- Report written in professional, business manner (focused, concentrated, spell-checked and proof read)

#### *Group work*

- Ability to recognize and single out the key problems;
- Analytical skills;
- Creativity;
- Responses to questions.

#### *Exam*

- Ability to identify the correct answers;
- Ability to see an issue from multiple views;
- Level of knowledge.

Detailed grading criteria for business plan and report to the board presentations will be posted on course elearning.ism.lt page.

### **Note**

The slides are an intellectual property of course lecturer and may not distributed or duplicated without written consent.