Course: E Global Business Strategy
Location: TBD
Time: Tuesday, 5:30 PM to 8:50 PM
Instructor: Mark DeSantis
Email: markd2@andrew.cmu.edu
Cell: 412.414.5003

Please call to arrange for office hours.

Course Description:

This course will help you understand how to evaluate and/or develop strategy for a technology-based business, large or small. It will consider all aspects of strategy but focus attention on the impact of ‘the rules of the game’ or national, international and transnational public policy in industries as diverse as telecommunications, software, hardware, computers, IT services and the Web.

Thoughtful strategy gives you the tools to adapt to and even change the rules of the game to capture a clear advantage over your competition. It is the means to anticipate rule changes. Public policy is constantly changing and executives therefore need a solid grounding in strategy and strategic analysis combined with an appreciation for technology relevant public policy to gain an understanding of these changes can impact every IT businesses most important decisions.

Our course will proceed in three stages. First, students will learn a variety of established strategic analysis tools with a special emphasis on the work of Dr. Michael Porter of the Harvard Business School. Once we have some grounding in strategy we will explore the implications of national and international public policy such as trade policy, standards, domestic regulatory policy and international and national regulatory regimes.

We will also weave in recent advances in several technologies and determine the implications of these advances for business strategy and public policy, locally, regionally and internationally.

This course relies heavily on case studies and independent research. The cases will allow students to get a better understanding of the policy implications for strategic planners and decision-makers. This course will be highly interactive with students encouraged to participate actively in the presentations and discussions.

Course Objectives:

Each student is expected to assume the perspective of a corporate strategist of an technology-based firm that is or soon will do business in more than one country. This course will help you develop a sensitivity to the interrelationships
between government policy, technology, corporate strategy and fundamental business decisions. It is also hoped that students will gain a better understanding of recent trends in the growth and role of the Internet, telecommunications and advances in information technology.

**Course Requirements:**

Each student will be required to complete a research paper and complete two team-based case studies. Students are free to draw on any resources they believe appropriate to perform both the case studies and paper. The grade weighting is as follows:

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<tr>
<th>Case Study and <em>Team</em> Presentation 1</th>
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<tr>
<td>Case Study and <em>Team</em> Presentation 2</td>
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<td>Research Paper and <em>Individual</em> Presentation:</td>
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**Research Paper**

Each student will be expected to identify an actual information technology company (approved by the professor no later than the third session). The student will perform a "strategic assessment" of the regional, national and global policy concerns of that company and propose a likely corporate strategic response to these concerns. The professor will discuss the means of doing a strategic assessment in the first few sessions.

Papers will be graded primarily on the quality and depth of the analysis and clarity of presentation of the findings. The paper will conform to APA style, have length of no greater than 30 double spaced text pages and be submitted no later than the last session. At a minimum, the paper will include the following: (1) title page, (2) table of contents, (3) executive summary, (4) references section, (5) list of figures and tables.

Each student will present for no more than 25 minutes his or her key research findings before the entire class in the final two sessions. The students will focus on their most important findings and should prepare for a 25 minute Q&A. Each student will need to identify and describe the most important public policies most relevant to this business's strategy and discuss possible strategic responses.

**Case Study**

Each student will also serve as a member of a team (team size depends on class size). Each team will be assigned a hypothetical information technology company
and two countries. Each team will perform one strategic assessment (similar to one for the individual research paper just referenced) for each of the assigned countries. For example, the “Piocron team” will perform an assessment for China and later one for Mexico (see page 14). Teams will need to complete the following (in order of priority):

- Identify and describe the most important public policies relevant to the proposed businesses strategy and discuss possible strategic responses.
- Present team findings in an oral report of no more than 20 minutes to the class then take Q&A from the class and finally submit a written report (no more than 4 double spaced pages) of their findings to the entire class.

Again, case studies will be judged on the quality and depth of the analysis and clarity of presentation (both written and oral) of the findings. The presentation assessment forms that I will use in evaluating both the team and individual presentations are attached.

**Required Texts:**

- *Competitive Strategy: Techniques for Analyzing Industries and Competitors* by Michael E. Porter
- *The Fat Tail: The Power of Political Knowledge for Strategic Investing* by Ian Bremmer
- *Entry Strategies for International Markets* by Franklin Root
- *Guidelines for Preparing Briefings* by Rand Corporation

**Recommended Texts:**

- *What is Strategy – and Does It Matter?* by Richard Whittington
- *The Rise and Fall of Strategic Planning* by Henry Mintzberg
- *Information Rules* by Carl Shapiro and Hal Varian

**Course Schedule:**

**Session 1 – 8/28** *Learning Objectives:* Familiarity with basic concepts in corporate strategy and strategic analysis:

- Definitions of Strategy.
- Strategy vs. Tactics.
- Product Development Life Cycle and the “S” Curve.
- Basic Terminology Used in Strategic Analysis.
- Economies of Scale and Scope.

**Session 2 – 9/4** Learning Objectives: Familiarity with basic concepts in corporate strategy and strategic analysis:

- Basic Terminology Used in Strategic Analysis
- The Role and Impact of Technology on Strategy.


**Session 3 – 9/11** Learning Objectives: Achieving a more in-depth understanding of corporate strategy:

- Porter's “Six Forces Model” for Strategic Analysis.
- Describe “Generic” Strategies.

Required Readings: Chaps. 1–4 from *Competitive Strategy: Techniques for Analyzing Industries and Competitors*.

**Session 4 – 9/18** Learning Objectives: Achieving a more in-depth understanding of corporate strategy:

- What are “Generic” Strategies.
- What is the Firm's “Value Chain?”

Required Readings: Chaps. 1–4 from *Competitive Strategy: Techniques for Analyzing Industries and Competitors*.

**Session 5 – 9/25** Learning Objectives: Achieving a more in-depth understanding of corporate strategic analysis:

- Describe “Generic” Strategies.
- Examples of Six Forces Analysis

Required Readings: Chaps. 1–4 from *Competitive Strategy: Techniques for Analyzing Industries and Competitors*.

**Session 6 – 10/2** Learning Objectives: Understanding alternative foreign market entry strategies:

- A Design for Entry Strategies.
- Matching Product and Candidate Market.
Required Readings: Chaps. 1–3 from *Entry Strategies for International Markets*.

**Session 7 – 10/9** Learning Objective: Describe implications of policy for business strategy:

- The Intersection of Public Policy and Corporate Strategy.
- What is political risk and why does it matter?
- Understanding the Rules of the Game.

Required Readings: Chaps. 1–4 from *The Fat Tail: The Power of Political Knowledge for Strategic Investing* by Ian Bremmer

**Session 8 – 10/16** Learning Objective: Describe implications of policy for business strategy:

- Building Strategy Around Public Policy and Visa Versa.
- Transnational Public Policy and Strategy.
- Discuss case presentations.

Required Readings: Chaps. 5–7 from *The Fat Tail: The Power of Political Knowledge for Strategic Investing* by Ian Bremmer and *Guidelines for Preparing Briefings* (handout for class).

**Session 9 – 10/23** Learning Objective: Walk-through of real-world examples.

Guest Lecture: TBD

Required Readings: Chaps. 8–9 from *The Fat Tail: The Power of Political Knowledge for Strategic Investing* by Ian Bremmer

**Session 10 – 10/30** Team presentations.

**Session 11 – 11/6** Team presentations.

**Session 12 – 11/13** Team presentations.

**Session 13 – 11/20** Team presentations.

**Session 14 – 11/27** Individual presentations

**Session 15 – 12/4** Individual presentations
Case Studies

Picocron

Corporate Objective: Picocron is a large fully diversified US computer manufacturer that recently announced a new family of “vimeo” products. Among them is a core software and hardware product that allows for two, three and even four-way high quality video communication over existing digital networks wirelessly currently embedded in their proprietary vidphone. Picocron further claims this proprietary technology surpasses the most advanced cell phones available today in all capabilities. Apple has filed suit claiming a patent infringement on the vidphone’s UI.

Picocron seeks world leadership in providing portable, ultra-clear, full-motion multi-party video imaging over wireless networks easily, affordably and to every consumer. The company is considering a rollout of this product as part of a family handheld “communication and display devices” in the next six months. In addition, the company is weighing the advantages and disadvantages of building facilities in the assigned country including investment in a wireless infrastructure, necessary for the rollout of Picocron’s products.

Background: Picocron has experienced slow growth of late. For example, annual sales grew only 6 percent in nominal terms from Q2 2010 and Q4 2010. Early 2009 sales do not appear to be improving and the global recession hasn’t help things either. In addition, the cost of complex infrastructure buildouts of the sort require by Picocron as well as the ability to form cooperative relationships with network providers in an OECD nation – in this economic climate – is an open question. A recent article in the Wall Street Journal suggested a soon-to-be-announced alliance with ATT collapsed for unexplained reasons. Nevertheless, a possible economic surge in India and across Asia could give hope to the company for rapid deployment and growth in these countries. However, the company also remains concerned about the global economic slowdown nonetheless.

The vidphone won praise at the most Consumer Electronics Show in Las Vegas. However, complaints persist amongst industry analysts that Picocron puts out “boring products” that are “way behind the technology curve.” In fact, an anonymous senior executive at the firm was recently quoted in the Financial Times as saying the company lacks a “coherent global strategy” and is “not in touch with the important trends in the market and industry.”

Your Job: You’re part of an elite cross-functional team that must come up with a “roll out” strategy for this new family of products. Your role is to identify the major public policies likely to influence how and in what way your firm will be able to implement strategy in the assigned country.

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1 The company claims depending on which country and region of that country and their digital network capacity.
TCB

Corporate Objective: TCB is one of the largest and most profitable of the world’s ten largest network service providers. However, TCB management believes growth will soon stall in part because of the recent global recession. The only way forward is to pursue several attractive un-tapped markets around the world for network services starting with the assigned country. The initial focus would be the provision of advanced wireless and data services.

The management is therefore challenged to start somewhere and the search is on for where, when and how to start this global growth effort. To address their ambitions, TCB management is assessing the following three (not mutually exclusive) strategies for the assigned country:

- Direct investment in network facilities including fiber and wireless 4G infrastructure (and soon to be announced ‘5G’ service).
- Establish a regional (outside of North America) presence(s).
- Partner (e.g., merger, acquisition, strategic alliance or joint venture) with one or several local or regional network, cellular or media service providers. It needs to act quickly (within the next six-months) because the Federal Communications Commission, the US Justice Department and even the US State Department (under pressure from the assigned country’s government) are assessing the implications of your alternative strategies. “After all,” one EU official recently asserted, “you’re already one of the largest private enterprises in the world.”

Background: TCB CEO, Don Draper, acknowledged recently in Forbes that TCB “must get bigger faster or … suffer a long slow death.” This shocked market analysts who believed TCB was on a solid growth path. However, Draper based his assertion on the following three assumptions: (1) economies of scale and scope are critical to pricing in this industry and it is not clear if and/or how TCB has any scale or scope economies, (2) near complete control of several key regional networks will be the basis for long-term survival and (3) another expected round of global de and re-regulation will create enormous opportunities for growth and dramatic reordering of competition worldwide. TCB competitors around the globe appear to be anticipating TCB’s next move and, as a result, TCB can expect stiff competition, whatever strategy choices the company makes.

Your Job: You’re part of a strategy team assigned to assess the most important public policy considerations both in the US and in the assigned country for these three alternative and (possibly other) strategies. Be sure to base your recommendations on your best guess as to the most likely policy scenarios for the assigned country. Assume your team may be tasked with going out and influencing policy in the assigned country if the possible scenarios do not look appealing.

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1 Based on sales growth, return on invested capital (ROIC) and return on equity (ROE).
Amplosermo – Pixelation, PLC

Corporate Objective: Pixelation is a small and quirky UK based on-line gaming and social networking software firm, which just recently started trading on the AIM. In sharp contrast, Amplosermo is a massive Italian multi-national media conglomerate. Nevertheless, the two companies recently signed a non-binding letter of intent to form a joint venture, the purpose of which is allow both parties to pursue a variety of small and experimental projects. Each project is designed to achieve three things: (1) determine the competencies of one another, (2) find long-term joint market opportunities and (3) determine if there is a basis for an eventual merger. The joint venture would likely be anchored around “… some sort of social networking real-time on-line game” according to Amplosermo’s CEO, Carlo Amplosermo.

What this “social networking real-time on-line game” opportunity would look like and how it will make money are not yet known. In addition, there is an immediate challenge of where to locate such a joint venture, its structure and what geographic markets to pursue. In addition, there are latent concerns by both parties about differences in corporate culture, different expectations and establishing a level of trust.

Background: Pixelation was founded by a well-known British film director and a Cambridge physics professor (his colleagues refer to him as the “Professor”). The film director has since ceased involvement in the day-to-day operations of the firm, though he remains on the board. The Professor, on the other hand, remains the CEO and he can be, at times and by his own admission, a difficult person to work with. He is a “sensitive creative type,” according to his friends, and his temper and paranoia are legend. Nevertheless, he is acknowledged in the on-line gamer space to be one of the most creative executives in the industry. In addition, he has an acknowledged ability to recruit some of the most talented technical and creative talent available.

One of the challenges Pixelation management faces is how to compete with the big players in the game space and do so on a global scale. This joint venture appears to create some ways to do just that. In sharp contrast, Amplosermo is one of the largest multimedia companies in the world with newspapers in 20 countries on three continents, several large advertising agencies, three “Web 3.0” companies, and numerous cable TV companies across the globe in its vast portfolio. Though a public company, a controlling interest is retained by the Amplosermo family of Milan. In fact, Carlo believes on-line gaming and social networking offers possibilities for growth.

Your Job: You’re part of an elite strategy team assigned to assess the most important public policy barriers and opportunities in the assigned country that could determine the fate of their joint venture. You may want to validate some of the assumptions embedded in the minds of the leaders of these two companies. Further, what can be done to reduce the threats to the effort while enhancing the policy opportunities.
BellWest

Corporate Objective: BellWest is now considering “a diversification strategy,” according to the Meredith Joyce, the company’s CFO. This strategy will build on their expected success in international markets, particularly the assigned country. Among the steps BellWest is considering are the following:

- Building global satellite telecommunications network and start-up, if it begins, would be in the assigned country. It has already launched a series of dedicated Low Earth Orbiting (“LEOs”) satellites (a program that many in and out of the company believe will go on indefinitely). BellWest has kept this project “close hold.” Nevertheless, the Financial Times and J.P. Morgan cite recent huge investments in satellite and wireless infrastructure as well as increased travel by senior management to the assigned countries as strong evidence of BellWest’s commitment to this project.
- Purchasing several regional cable operators in several carefully chosen markets.
- Building a new “5G” wireless network in one or several carefully chosen markets.
- Doing some combination of all of the above.

Background: Prior to the merger that created BellWest, the two RBOCs were the smallest of the national RBOCs in the US (both in terms of total assets and sales). After the merger the new combined company has grown to one of largest in North America and one of the largest (in terms of gross revenue) pure phone companies in the world. Both companies have maintained sophisticated operations in several countries for well over 20 years in anticipation of domestic and global deregulation. Further, they have invested heavily in both assigned countries, have “courted” the public officials in these countries and can legitimately claim to understand these markets “as well as anyone,” according to industry insiders.

However, a Senior Marketing VP of BellWest is now under investigation for violating the US Foreign Corrupt Practices Act. The company spokesperson recently claimed in a recent interview on MSNBC that “… this is all a misunderstanding and the issue should be resolved soon.” Nevertheless, Justice Department officials are proceeding with the investigation.

Your Job: You are part of a team of “industry analysts” working in the Equities Department of J.P Morgan. You are attempting to discern where this new firm is headed strategically and, most importantly, identify any public policy barriers or threats that might impede or help implementation of their strategy. Your analysis will be the basis for your firm’s buy/hold/sell recommendations to its largest institutional investors.

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3 BellWest is the result of a merger between two Regional Bell Operating Companies.
R.M. Barnsworth

Corporate Objective: R. M. Barnsworth (RMB) is a niche retailer headquartered in New England but operations in three states. Since its founding 110 years ago their product focus is as an “up-scale outdoorsy” and includes everything from fishing gear and ice axes to hiking shoes and luggage. RMB’s target customers are “those who like the rugged outdoors image,” according to a recent internal marketing study.

Although RMB’s main distribution channel is catalogue mail order sales (approximately 60 percent of total annual sales) they do have twenty retail stores in major urban centers. There are no plans to open additional retail stores and have one main distribution center in New York State (they would consider another distribution center). Over the past year RMB has been experimenting in tow areas:

• Working through various “echannels” as the CEO describes it.
• Embed their entire offering in a larger online retailer.

RMB remains a very quality conscious company and the CEO allowed a recent and substantial investment in the company’s ecommerce website under the proviso that “we don’t do anything too fancy” that “customers won’t understand or can’t use” and “we must make $#@% sure that customer privacy is maintained!”

Background: RMB’s sales have been weak the past two years and the recent recession has not helped things. Fortunately, RMB has a strong brand ID and an unblemished reputation for quality. RMB believes that customers are increasingly frustrated with this explosion of catalogue sales. The CEO was quoted in Business Week asserting that, “... folks are tired of having their mailboxes stuffed with catalogues ... there has got to be a better way to communicate with the customer.”

Your Job: RMB is intrigued with the twin possibilities of increasing overseas markets (currently RMB’s non-US sales are less that 3 percent of total annual sales) and shopping through the Internet. Recently, RMB hired a retired US Army General (he was a four star General in charge of the Army’s Logistics Command) to serve as Executive Vice President for Global Marketing. The “General” reports directly to the CEO of RMB and is considered the CEO heir apparent.

Your team was recruited by the General to advise him on “what is possible and what is not possible” with the expanding international sales through the one or both of the alternatives referenced previously. The General’s immediate need, however, is sound advice on “any and all policy considerations” before RMB considers any technical proposals. The General, though savvy with information technology, admits to being a bit of a “techno-phob” wants his staff to communicate with him in “plain spoken terms ... none of that techie talk around me.”
Media Fusion

Corporate Objective: Media Fusion is a five year old company focused on “fusing web-based, cable and wireless content providers,” according to a recent press statement, to allow “for a seamless media customer experience.” Their most recent product, “TVNow V 3.0,” is a small handheld device that users plug into the internet and directly to any display devise and access both paid content (currently 7 channels) and free content (currently 1,500 channels). The company’s available online content is increasing at 3 paid channels per month.4

Several important premises of the company include: (1) viewers of cable pay for several hundred channels yet, according to industry studies, access less than ten percent of those channels, (2) more and more content is being pushed onto and through the web and (3) world travelers and “ex-pats” want access their TV/video content wherever they go.

One the yet to explored keys to their success of the company, according to Media Fusion management, is the prospect of securing exclusive relationships with a wide variety of niche paid content providers (i.e., gaming channels, adult content channels, faith-based channels, cultural channels) in key markets around the world. Though difficult for a variety of reasons, there has been some success in signing up content providers.

Background: Media Fusion experienced rapid growth since its founding thanks in part to some very positive press on the TVNow product at the recent Consumer Electronics Show in Las Vegas. However, a number of similar products have put pressure on Media Fusion to stay ahead of the innovation curve. Some of these products are knock-offs while others offer serious competition including SlingBox, Juiced and Apple TV, to name a few. There have also been lingering product quality issues, including global compatibility issues.

Media Fusion is a privately owned and ventured funded firm and the board of directors has quietly opened up the possibility of being acquired by one of its competitors. The CEO is ambivalent about being acquired but has nevertheless initiated an effort to consider a suitor.

Your Job: You were hired by the CEO to explore the prospect of being acquired and all other alternatives to being acquired. Specifically, you are to look at the penetration of certain global markets that, among other things, might enhance the prospects for a major acquisition.

4 Flat panel TV, computer monitor, laptop, and PDA displays.
SecuSoft

Corporate Objective: SecuSoft is a network and software security firm with substantial business with several agencies of the US Federal government as well as a number of large US multinationals. Their core product is a software “bot” called SmartGuard that autonomously plugs potential security gaps in real-time for multi-party, highly complex and international financial transactions.

Some of the company’s work is classified. However, the management of the firm is concerned that too much of their business is based on the US government sales (currently 50 percent). In addition, the management believes that a number of foreign governments offer tremendous market opportunities. Nevertheless, US export control laws and some foreign country import restrictions appear to block these opportunities. In addition, the company is facing the challenge of hiring key employees in the US who do not yet have US citizenship status.

To add to the complexity of the company’s market challenge, there is a perception by some foreign governments that SecuSoft is in fact a US government security agency front operating as a private company, thus some foreign governments are suspicious of this company. There is no evidence to support this assertion, however.

Background: The challenge is to expand sales beyond the US government market and it is several-fold. First, the US government maintains foreign export controls that may severely limit the number and variety of foreign market opportunities. Second, SecuSoft has almost no foreign presence through which to grow into these markets, should they represent real opportunities. Third, the citizenship requirements are put a tight hold on their ability to hire the best available employees. Last, the company is facing enormous pressure for competitors in the US.

Your Job: You are a member of a marketing consulting team whose mission is to assess the prospects for global growth the ability of the ability of the company to “break out” of its current market limitations.
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Presentation Evaluation Form

Team: ________

Date: ________

Content = 33%

Poor __ Fair __ Average __ Good __ Excellent __

Comments:

Clarity = 33%

Poor __ Fair __ Average __ Good __ Excellent __

Comments:

Analysis = 33%

Poor __ Fair __ Average __ Good __ Excellent __

Comments:

Overall ____
Lecturer Bio

Mark is President and Co-founder of MobileFusion, Inc., a venture funded real-time data analytics company that provides software to large commercial energy consumers and the US military. Mark was previously CEO of Apangea Learning, Inc., a venture funded online tutoring company. Prior to that, he was the US Managing Director of ANGLE Technology, PLC, a publicly traded venture capital firm and consultancy. Mark has also co-founded several technology businesses and serves a director to others. Along the way, he was a Visiting Scientist at the Software Engineering Institute and Carnegie Mellon Research Institute prior that.

Prior to moving to Pittsburgh, Mark was the Director of Government Relations for Texas Instruments, Inc. (TI) in Washington DC and was responsible for managing TI’s public sector relationships in the US and abroad. Prior to joining TI, Mark served in several policy positions in the US Federal government including as a Senior Policy Analyst in both The White House Office of Science and Technology Policy and the U.S. Department of Commerce in the Administration of George H. W. Bush. He was also on the staff of the late U.S. Senator John Heinz and previously a management consultant with Booz Allen & Hamilton.

Mark is a frequent lecturer and published author on general management, strategy, and entrepreneurship. He is an Adjunct Professor at Carnegie Mellon University and has lectured at the Katz School of Business at the University of Pittsburgh and The Tuck School at Dartmouth. He was previously an Adjunct Professor at the University of Maryland University College. He was an instructor in the Veterans Entrepreneurship Program Robert Morris University. Mark holds a BA and MBA from the University of Dayton, an MS in Technology Management from The American University and a PhD in Public Policy from George Mason University. Mark is active in the western Pennsylvania region including serving on the boards of several local non-profits.