

Note: This is the text-only version of this week's lecture.

All media (i.e. videos, flash presentations, and PowerPoints) and learning activities (i.e. assigned readings, assignments, and discussions) are accessible only through the online course.

Week 1: Basic Concepts of Strategy and Analyzing the Environment

Overview

In this lesson we will begin by discussing the core aspects of strategy. We will emphasize the central element of strategy as a firm-level response to changing customers and a changing environment. We will stress that strategy requires that the firm and its employees continuously learn about the changing environment, and how creating a learning organization is fundamental to long-term success.

Log in to the course to view video and alternative version.

Click the link below to access a transcript of the video.

[Video Transcript](#)

Learning Objectives

At the completion of this week, you will be able to:

- Define strategy.
- List the key elements of strategy.
- Understand the importance of the environment and the firm in formulating and implementing strategy.
- Describe how change is central to strategic thinking.
- Describe the importance of the learning organization.
- Understand the importance of environmental scanning.
- Use the PESTEL (Political, Economic, Socio-Cultural, Technological, Environmental, Legal) analysis to scan the environment.
- Describe approaches to industry analysis.
- Employ Porter's Five Forces Model as a framework for industry analysis.
- Derive threats and opportunities from external factors analysis.

Learning Activities

Learning Activity	Description	Due Date	Point Value	Weight
Introductions Forum	Introductions	Day 1	~	~
Lesson 1	Basic Concepts of Strategy	Day 3	~	~
Reading 1	<ul style="list-style-type: none"> T. Rothaermel. <i>Strategic Management - Concepts</i>. McGraw Hill-Irwin, 2013, Chapters 1 and 5 PowerPoint review of Rothaermel, Chapters 1 and 5 "How to Satisfy the World's Surging Appetite for Meat," Wall Street Journal, December 4, 2015 (PDF) 	Day 3	~	~
Discussion 1	"How to Satisfy the World's Surging Appetite for Meat"	Initial Post Day 3; Response Day 5	100	4%
Lesson 2	Analyzing the environment & Industry Analysis	Day 3	~	~
Reading 2	<ul style="list-style-type: none"> Rothaermel, Chapter 3 PowerPoint review of Rothaermel, Chapter 3 "Coca-Cola in 2011: In search of a New Model" HBS Case #9-711-504 	Day 5	~	~
Assignment 1	"Coca-Cola in 2011" case analysis paper	Day 6	100	10%
Discussion 2	Discuss "Coca-Cola in 2011" case analysis	Initial Post Day 6; Response Day 7	~	~

Note: All assignments are to be submitted through the **Assignments** area of the course. Similarly, all discussions can be accessed in the **Discussions** area.

Introductions Forum

Due: End of Day 1

Compose a short biographical sketch of yourself in which you state:

- The name by which you prefer to be addressed.
- Your current profession.
- The name of organization in which you are employed, and its location.
- Your educational background.
- Your reasons for taking this course.
- What you expect to achieve after you have completed this course.
- Any other information you believe you should share with other students.

Notes:

- No order is implied in the above list.
- You may include your picture as a .jpeg or .gif file. The image size should be about 150 x 150 pixels or smaller.

Basic Concepts of Strategy

Introduction

In this lesson we will begin by discussing the core aspects of strategy. We will emphasize the central element of strategy as a firm-level response to changing customers and a changing environment. We will stress that strategy requires that the firm and its employees continuously learn about the changing environment, and how creating a learning organization is fundamental to long-term success.

Learning Objectives

At the completion of this lesson, you will be able to:

- Define strategy.
- List the key elements of strategy.
- Understand the importance of the environment and the firm in formulating and implementing strategy.
- Describe how change is central to strategic thinking.
- Describe the importance of the learning organization.

Reading 1 (Complete by end of Day 3)

Textbook reading:

- T. Rothaermel. *Strategic Management - Concepts*. McGraw Hill-Irwin, 2012, Chapters 1 and 5.
- [PowerPoint review of Rothaermel, Chapter 1](#)
- [PowerPoint review of Rothaermel, Chapter 5](#)

Read the following articles:

- "[How to Satisfy the World's Surging Appetite for Meat](#)," *Wall Street Journal*, December 4, 2015 ([PDE](#))

Basic Concepts of Strategy

Strategy begins with the firm's vision of what it should be like, what it should look like in the future - in, say, five years. It then decides how the firm should get there, by taking into account how the environment will change over this period, what resources it will need to attain its objectives, and how competition will affect and perhaps hinder its progress towards its goals. While organizations should review and plan their strategy on a regular basis, sometimes a crisis can precipitate a strategic re-evaluation, and force the firm to develop a revised or new strategy. This crisis may come about for a variety of reasons, such as poor performance, a major environmental change or competitive actions. Whatever the reason, a firm's attempt to formulate a strategy forces it to consider what its goals are and what actions it needs to take to achieve its intended goals.

Click Next for more information about the basic concepts of strategy.

Log in to the course to access interactive course content and alternative version.

[Alternate Version](#)

Strategy as Managing Continuous Change

Strategy requires that the firm change and adapt constantly to a changing environment, to changing competition, markets, customers, government and the socio-economic environment. Globalization, and, the spread of the Internet, are two examples of major changes affecting all companies. Understanding and reacting to such changes requires that the firm become a **learning organization**.

Click Next for more information about managing change.

Log in to the course to access interactive course content and alternative version.

[Alternate Version](#)

Strategy, Key Phases (1 of 2)

Strategy can exist at multiple levels. At its broadest, a company may have a mission, what it hopes to achieve as a company, its reason for being, a broad objective which motivates and rallies its managers and employees. The mission can then be broken down into specific objectives and further into goals that can be defined and measured and used to develop shorter-term plans, one year plans and programs.

Strategy begins with an understanding of how the environment is changing, and the opportunities and threats this presents for the firm. The firm also conducts a self-assessment, its strengths and weaknesses. Then, the firm attempts to fit itself to the changing environment, aiming to achieve its planned vision, its objectives, through a series of actions, together constituting its strategy.

The strategic plan must be implemented, that is, actions carried out by managers, employees, and business partners. The results of these actions are then measured and compared with the original strategic goals, and strategies revised as necessary. Hence, strategy evaluation and management control is an essential element of overall strategic planning.

Strategy, Key Phases (2 of 2)

[Click Next](#) for more information about the key phases of strategy.

[Log in to the course to access interactive course content and alternative version.](#)

[Alternate Version](#)

Summary

Strategy aims to obtain superior long-run performance at the firm by developing a good **fit** between the firm, its strengths, weaknesses and resources, and the changing **environment**. Strategy formulation is followed by strategy implementation, and by evaluation and control, an assessment of the success of the strategy implementation. Strategy is about the future, and requires attentiveness to change, and adaptation to change. Hence, the firm must become a learning organization, so that it can observe and learn how to change to fit the environment. Environmental scanning is complex, and requires attention to a variety of socio-economic and industry factors. Strategy can take place at different levels within the firm, and can be broken down into a broad mission, objectives and measurable goals. Strategy implementation takes place through plans, programs, budgets and people, and evaluation and management control help determine whether the planned strategy is being achieved and whether and how strategy might be changed.

You have now completed Week 1 Lesson 1. Click the link below to access a PowerPoint presentation to review what you have just learned.

[Lesson 1 Summary](#)

End of Lesson 1

Discussion 1 (Post by end of Day 3; Respond by end of Day 5)

Point Value: 100

Read the following articles:

- "[How to Satisfy the World's Surging Appetite for Meat](#)," *Wall Street Journal*, December 4, 2015 ([PDF](#))

Discussion Question

After reading the article "How to Satisfy the World's Surging Appetite for Meat," *Wall Street Journal*, December 4, 2015.

Discuss how environmental factors and environmental change create opportunities for the global meat production industry. How have they responded? What is your assessment of their strategic response, and what additional actions might you recommend?

Note: Your posts on the articles should be between 300 to 500 words.

How to Satisfy the World's Surging Appetite for Meat thread by no later than end of Day 3. Respond substantially to one classmate's initial post by end of Day 5.

Environmental Scanning & Industry Analysis

Introduction

We now take a closer look at the environment. The environment is important because a firm's business can be destroyed if it does not understand and react to changes in the environment. We discuss the importance of Political, economic, socio-cultural, technological, environmental and -legal factors (PESTEL) as well as industry analysis in scanning the environment. These factors together help determine the threats and opportunities posed by the environment. We also review Porter's Five Forces framework for industry analysis and discuss approaches to external factors analysis.

Learning Objectives

At the completion of this lesson, you will be able to:

- Understand the importance of environmental scanning.
- Use the PESTEL analysis to scan the environment.
- Describe approaches to industry analysis.
- Employ Porter's Five Forces Model as a framework for industry analysis.
- Derive threats and opportunities from external factors analysis.

Reading 2 (Complete by end of Day 5)

Textbook readings:

- T. Rothaermel. *Strategic Management - Concepts*. McGraw Hill-Irwin, 2012, Chapters 3.
- [PowerPoint review of Rothaermel Chapter 3](#)

Read the following case in your course pack:

- [Coca-Cola in 2011: In search of a New Model. HBS 9-711-504](#)

Strategy as a Response to Environmental Changes

Business history is replete with examples of companies that have faced difficulties because they have been unable to adapt to a changing environment. Pharmaceutical companies have long relied on patent protected *blockbuster* drugs, such as medicines to treat high cholesterol or high blood pressure, and have reaped large profits from continuing sales of such drugs over the patent's life (typically 17 years). But as the costs of healthcare have soared in the U.S. and elsewhere, governments, health insurance companies, hospitals and consumers have all begun to use generic drugs in increasing quantities. Generic drugs are copycat drugs of medicines that are no longer protected by patent. A generic drug may sell for 5% of the cost of a drug still under patent, and this price drop has hurt large pharmaceutical companies, who have struggled to invent new patented drugs that can treat widely prevalent illnesses such as cancers, Alzheimer's and other diseases. The issue for pharmaceutical companies then, is: how should they change their strategy to continue to be successful in a world that is increasingly cost conscious and beset by competition from generic drug companies?

Environmental Scanning and Industry Analysis

Click Next for more information about environmental scanning and industry analysis.

Log in to the course to access interactive course content and alternative version.

[Alternate Version](#)

Summary

Environmental and industry analysis are a key component of strategy formulation. Such analysis allows the firm to understand and assess the opportunities and threats facing the company. The PESTEL framework, Porter's Five Forces analysis and the External Factors Analysis, as well as understanding the needs of key stakeholders, are together useful in crafting a strategic response to the changing environment.

You have now completed Week 1 Lesson 2. Click the link below to access a PowerPoint presentation to review what you have just learned.

[Lesson 2 Summary](#)

End of Week 1

Assignment 1 (Submit by end of Day 6)

Point Value: 100

Coca-Cola in 2011: In search of a New Model. HBS 9-711-504

1. Analyze the economics and industry structure of the soft drink industry. Specifically, compare and analyze the profitability of the concentrate and bottling segments of the industry.
2. How has competition between Coke and Pepsi affected the industry and industry profitability?
3. How should Coke and Pepsi react to changes in the soft drink market and to changes in consumer behavior?

Your posts to questions 1, 2, and 3 should in total be around 1000 - 1200 words. Please also use **exhibits and charts** as necessary to support your text answers. Your comments on the answers of colleagues can be short, up to 200 words.

Submit your analysis through the Turnitin drop box found within the Assignments area by no later than end of Day 6.

After you have submitted your analysis, post a copy of your answers to the Week 1 Discussion 2 forum by no later than end of Day 6. Respond substantially to one classmate's initial posts by end of Day 7. Your comments on the answers of colleagues can be short, up to 200 words.

Accessing Trademark Commentary for Individual Turnitin Assignments

- Select the **View/Complete** link in the assignment drop box, or select your grade in the **My Grades** area.
- Next, select the View button associated with the assignment you wish to review or click on the title of the assignment.
- Once the document view loads, select the **GradeMark** button, located at the top left of the screen.
- To view individual comments, hover the mouse over the blue comment bubbles.

Discussion 2 (Post by end of Day 6; Respond by end of Day 7)

Case: Coca-Cola in 2011: In search of a New Model. HBS 9-711-504

1. Analyze the economics and industry structure of the soft drink industry. Specifically, compare and analyze the profitability of the concentrate and bottling segments of the industry.
2. How has competition between Coke and Pepsi affected the industry and industry profitability?
3. How should Coke and Pepsi react to changes in the soft drink market and to changes in consumer behavior?

Post a copy of your case analysis within the Coca-Cola thread by no later than end of Day 6. Respond substantially to one classmate's initial post by end of Day 7. Your comments on the answers of colleagues can be short, up to 200 words.