BS3352 – VALUE BASED STRATEGY

Module Number: BS3352

Module Title: Value Based Strategy

Number of Aston Credits: 10

Total Number of ECTS Credits: 5
(European Credit Transfer)

Staff Member Responsible for the Module:

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Other Staff Contributing to the Module:

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Pre-Requisite(s) for the Module: Compulsory modules in years 1 & 2

Module Learning Outcomes:

The overall objective of this module is to give students an understanding of value-based management strategies relating to the mix of products, markets served, management incentive systems and operational performance measurement of the organisation. The module draws on the developing literature on value based strategic management, which incorporates the principles of value as defined in the finance field into inter-disciplinary strategic frameworks. A new aspect of this module is the inclusion of Marketing ROI frameworks because marketing costs frequently comprise the lion's share of the strategic actions that firms undertake.

On successful completion of this module students will be able to:

- Understand the key concepts, issues and techniques involved in strategic management process.

- Examine all aspects of the organisation to discover the extent to which each creates organisational value.

- Study a number of strategic decisions, such as acquisitions, closure of a division or entry into a new market, in the context of the value management theory.

- Demonstrate a critical awareness of the organisational environment from a value management perspective.

- Evaluate critically the theoretical validity of value management models and to assess the practical problems in applying such techniques in real strategic decisions.

- Understand the latest developments in practitioner and academic literatures on research into value based management.

Module Content:

1. What is strategy and why is it important. Different ways of looking at strategy and the assumptions underpinning them?

2. Key components of industry – measurement and the environment.

3. What makes an industry or a firm attractive to investors? The case of the Pharmaceutical Industry.

4. Internal value metrics. Economic profit and internal drivers of shareholder value.

5. External value metrics. Market value added, market to book and total shareholder returns.

6. Strategic Choice what choices create value? Valuation of Alternative Strategies. Value Driver Analysis. The Value Curve

7. Measuring Promotional Expenditure Effects. Do sales and marketing activities justify their cost?

8. Mergers & Acquisitions. What factors drive M & A activity? Do Mergers Create Value. Success Vs Failure?

9. Strategic Alliances and Partnership an alternative to Merger or Acquisition?

10. Successful strategy implementation. How do you ensure that your strategy returns the expected value?

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International Dimensions:

Value based management strategy is an international discipline and the associated literatures are published in the top international financial and strategic management journals. Practical examples given during the module will relate to real-world problems faced by companies operating in international markets.

Corporate Connections :

In previous years I have invited Stewart Adkins, formerly Managing Director of Lehman Brothers to deliver a guest lecture. Subject to Stewart's availability I plan to invite him this year.

Links to Research :

Several aspects of this course are informed by and directly link into my current research. In particular the topic of sales and marketing productivity and aspects of strategic choice directly draw from and relate to my research.

Learning and Teaching Rationale and Methods:

Method of Teaching - One lecture per week in weeks 14-23.
One fortnightly tutorial in weeks 14-23.

Contact and directed learning

Lectures	10 hours
Class tutorials and discussion of cases	5 hours
Examination	2 hours
Indirect learning	
Exam revision Reading	83 hours
Total	**100 hours**

Ethical Approval:

This module does not require any primary research and no ethical approval will be necessary.

Method of Assessment Rationale and Methods:

A closed book examination (100%)

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During this two hour exam students are required to answer three questions and to demonstrate *both* a clear understanding of the course material *and* how it may be applied in practice.

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Essential Reading:

Read relevant sections of the following:

Copeland T, Kola T & Murrin J (2005), *Valuation,* 4th Edition, New York: J Wiley.

Barker R (2001), *Determining Value*, Harlow: Prentice Hall.

Recommended Harvard Business Review Articles:

Martin.R. (2010) The Age of Customer Capitalism. *Harvard Business Review. Jan. 58-65.*
Kaplan. R.S, Norton. D.P., & Rugelsjoen, B. (2010) Managing Alliances with the Balanced Scorecard. *Harvard Business Review. Jan. 114-120.*
Humphreys J. Ahmed Z.U. & Pryor M (2009) World Class Bull. *Harvard Business Review. May. 35-42.*
Hamel.G. (2009) Moon Shots for Management. *Harvard Business Review. Feb. 91-98.*
Carrott. G.T. & Jackson. S.E. (2009) Shareholder Value Must Top the CEO Agenda. *Harvard Business Review. Jan. 22-24.*
Christensen, C.M., Kaufmann, S.P., & Shih, W.C. (2008) Innovation Killers. *Harvard Business Review. Jan. 98-105.*
Pozen, R.C. (2007) If Private Equity Sized Up Your Business. *Harvard Business Review. Nov. 78-87.*
Garnier J.P (2008) Rebuilding the R&D Engine in Big Pharma. *Harvard Business Review.* May. p69-76.
Porter M.E (2008) The Five Competitive Forces that Shape Strategy. *Harvard Business Review.* Jan. P 78-93
Porter M.E. & Kramer M.R (2006) Strategy & Society. *Harvard Business Review.* Dec. 78-92.
Porter M.E.,Lorsch J.W. & Nohria N.(2004) Seven Surprises for New CEO's. *Harvard Business Review.* Oct. 62-72.
Porter M.E. & Telsberg E.O. (2004) Redefining Competition in Health Care. *Harvard Business Review*. Jun. 64-76
Porter M.E. & Kramer M.R. (2002) The Competitive Advantage of Corporate Philanthropy. *Harvard Business Review*. Dec. 57-68
Porter M.E. (2001) Strategy and the Internet. *Harvard Business Review*. Mar. 62-78
Chan.K.W. & Mauborgne R. (2004) Blue Ocean Strategy. *Harvard Business Review. Oct. 76-84.*
Chan.K.W. & Mauborgne R. (2002) Charting Your Companies Future. *Harvard Business Review. Jun. 77-83.*
Chan.K.W. & Mauborgne R. (1999) Creating New Market Space. *Harvard Business Review. Jan. 83-93.*

Bartlett CA & Ghoshal S (2000), 'Going Global Lessons From Late Movers', *Harvard Business Review,* Mar-Apr, pp 133-142.
Aiello RJ & Watkins MD (2000), 'The Fine Art of Friendly Acquisition', *Harvard Business Review,* Nov-Dec, pp 101-107.
Anslinger PL & Copeland TE (1996), 'Growth Through Acquisition A Fresh Look', *Harvard Business Review,* Jan-Feb, pp 126-135.
Gadiesh O & Gilbert JL (1998), 'Profit Pools. A Fresh Look at Strategy', *Harvard Business Review*, May-June, pp 139-148.
Gadiesh O & Gilbert JL (1998), 'Profit Pools. A Fresh Look at StrateHow to Map Your Industry's Profit Pool', *Harvard Business Review*, May-June, pp 149-162.
Gadiesh O, Leung P., & Vestring T. (2007) The Battle for China's Good-Enough Market. Sept. 80-89.
Ghemawat P & Ghadar F (2000), 'The Dubious Logic of Global Megamergers', *Harvard Business Review,* July-Aug, pp 65-72.
Collis DJ & Montgomery CA (1998), 'Creating Corporate Advantage', *Harvard Business Review*, May-June, pp 70-83.

Background Reading:

Lenskold, James D (2003) Marketing ROI. The path to campaign, customer and corporate profitability. McGraw Hill

Farris, Paul W, Bendle, Neil T, Pfeifer, Philip E & Reibstein, David J (2008) Marketing Metrics. Wharton School of Publishing.

Young SD & Byrne SF (2001), *EVA and Value Based Management*, London: McGraw Hill.

McTaggart JM, Kontes PW & Mankins MC (1994), *The Value Imperative*, New York: Maxwell Macmillan International.

Brearley RA & Myers SC (2002), *Principles of Corporate Finance*, 6th Edition, London: McGraw Hill.

Doyle P (2000), *Value Based Marketing*, Chichester: Wiley.

Feldman ML & Spratt MF (2001), *Five Frogs on a Log*, Chichester: Wiley. {Interesting perspective on mergers}

Porter ME (1985), *Competitive Advantage*, New York: Free Press.

Rappaport A (1986), *Creating Shareholder Value,* London: Free Press.

Stewart B (1991), *The Quest for Value: The EVA Management Guide*, New York: Harper Business.

Plus a range of up-to-date newspaper and journal articles to illustrate the relevance of the principles discussed in the module to organisations today.

Relevant Journal Articles

Horn JT, Lovallo DP & Viguerie SP (2006), 'Learning to let go: making better exit decisions', *McKinsey Quarterly*, 2, pp 65-75.

Bacidore J, Boquist J, Milbourn T & Thakor A (1997), 'The Search For The Best Financial Performance Measure', *Financial Analyst Journal,* 53(3), pp 11-20.

Bao B & Bao D (1998), 'Usefulness Of Value Added And Abnormal Economic Earnings: An Empirical Examination', *Journal of Business Finance & Accounting*, 25(1), pp 251-264.

Carey D (2000), 'Making Mergers Succeed', *Harvard Business Review,* May-June, pp 145-154.

Chan Kim W & Mauborgne R (1997), 'Value Innovation: The Strategic Logic of High Growth', *Harvard Business Review,* Jan-Feb, pp 103-112.

Copeland T & Keenan PT (1998), 'How Much Is Flexibility Worth; *McKinsey Quarterly*, 2, pp 38-49.

Copeland T (2000), 'Cutting Costs Without Drawing Blood', *Harvard Business Review,* Sept-Oct, pp 155-164.

Coyne KP, Hall SJD & Gorman Clifford P (1997), 'Is Your Core Competence A Mirage', *McKinsey Quarterly*, 1, pp 40-54.

Donaldson G (1985), 'Financial Goals and Strategic Consequences', *Harvard Business Review,* May-June, pp 57-66.

Dull S, Mohn WA & Noren T (1995), 'Partners', *McKinsey Quarterly*, 4, pp 63-72.

Eccles RG, Lanes KL & Wilson TC (1999), 'Are You Paying Too Much For That Acquisition', *Harvard Business Review,* July-Aug, pp 136-146.

Goold M & Campbell A (1987), 'Many Ways to Make Strategy', *Harvard Business Review,* Nov-Dec, pp 70-76.

Kaplan RS & Norton DP (1996), 'Using the Balanced Scorecard as a Strategic Management System', *Harvard Business Review,* Jan-Feb, pp 75-85.

Kaplan RS & Norton DP (2000), 'Having Trouble with Your Strategy Then Map It', *Harvard Business Review,* Sept-Oct, pp 167-176.

Nutt PC (1987), 'Identifying and Appraising How Managers Install Strategy', *Strategic Management Journal,* 8, pp 1-14.

O'Bryne S (1996), 'EVA and Market Value', *Journal Of Applied Corporate Finance,* 9(1), pp 116-125.

O'Bryne S (1999), 'EVA and its Critics', *Journal Of Applied Corporate Finance,* 12(2), pp 92-96.

O'Hanlon J & Peasnell K (1998), 'Wall Street's Contribution to Management Accounting: The Stern Stewart EVA Financial Management System', *Management Accounting Research,* 9(4), pp 421-444.

Ohmae K (1988), 'Getting Back to Strategy', *Harvard Business Review*, Nov-Dec, pp 149-156.

Porter M (1979), 'How Competitive Forces Shape Strategy', *Harvard Business Review*, March/April, pp 137-145.

Porter ME (1987), 'From Competitive Advantage to Corporate Strategy', *Harvard Business Review*, May-June, pp 275-300.

Prahalad CK & Hamel G (1989), 'Strategic Intent', *Harvard Business Review*, May-June, pp 63-76.

Prahalad CK & Hamel G (1990), 'The Core Competence of the Corporation', *Harvard Business Review*, May-June, pp 79-91.

Pursche WR (1996), 'Pharmaceuticals – the Consolidation Isn't Over Yet', *McKinsey Quarterly*, 2, pp 110-119.

Rappaport A (1981), 'Selecting Strategies that Create Shareholder Value', *Harvard Business Review*, May-June, pp 139-149.

Stalk G, Pecaut DK, & Burnett B (1996), 'Breaking Compromises, Breakaway Growth', *Harvard Business Review,* Sept-Oct, pp 131-139.

Stewart GB (1994), 'EVA: Fact and Fantasy', *Journal of Applied Corporate Finance,* 7(2), pp 71-84.

Useful Online Sources

ABI-Inform Full Text (Proquest), Lexis-Nexis Executive, Economist on CDROM