Please attach/submit additional documents as needed to fully complete each section of the form.

I. COURSE INFORMATION

Department: Management and Marketing
Course Title: Strategic Management
Description of the requirement if it is not a single course:

Type of Request: ☑ New  ☐ One-time Only  ☐ Renew  ☐ Change  ☐ Remove

Rationale: The School of Business Administration faculty are changing the capstone for our students to emphasize business strategy as opposed to the current capstone which emphasizes business plan development.

II. ENDORSEMENT / APPROVALS

* Instructor: Suzanne Tilleman
  Signature: [Signature]
  Date: 9/29/15
  Phone / Email: 243-2915 / Suzanne.tilleman@umontana.edu

Program Chair: Klaus Uhlenbruck
Signature: [Signature]
Date: 9/29/15

Dean: Larry Gianchetta  TERRI HERRON
Signature: [Signature]
Date: 10/14/15

*Form must be completed by the instructor who will be teaching the course. If the instructor of the course changes before the next review, the new instructor must be provided with a copy of the form prior to teaching the course.

III. OVERVIEW OF THE COURSE PURPOSE / DESCRIPTION

Provide an introduction to the subject matter and course content: Strategy focuses on how firms outperform their competition and their historical performance over time. Business strategy as a topic has many concepts and frameworks that are applied to cases and contemporary examples to understand competitive dynamics. Since strategy formulation requires understanding activities inside and outside the firm, it provides an opportunity to integrate concepts and knowledge from the many disciplines in business. This capstone course focuses on integration of material from core courses while requiring the students to think critically, analyze firms and situations, and make strategic recommendations.

IV. LEARNING OUTCOMES

Provide examples of how the course will support students in achieving each learning outcome
• Identify and pursue sophisticated questions for academic inquiry.
  □ Yes  If yes, how will student learning be supported?
  Students are required to read, analyze, and recommend strategic actions for firms in business cases. Business cases are a commonly used method in business schools because they present complex and causally ambiguous situations that require sophisticated thinking and problem solving. In addition to using individual case analyses, students work in teams to develop strategic recommendations for existing companies.

□ No  If no, course may not be eligible

• Find, evaluate, analyze, and synthesize information effectively and ethically from diverse sources (see: http://www.lib.umt.edu/library-information-literacy-tables#Table2) Subject liaison librarians are available to assist you embed information literacy into your course: http://www.lib.umt.edu/node/115#instructors
  □ Yes  If yes, how will student learning be supported?
  Early in the course, the business librarian demonstrates the most useful databases to the students for use in the strategic plan projects. To succeed in the strategic plan project, students must research general and industry trends, competitors, regulatory issues, industry segmentation, customer and market characteristics, and the focal firm’s financial resources, operations, and core competencies. The resources available in the Mansfield Library are heavily used, especially access to Standard & Poor’s NetAdvantage, LexisNexis Academic, Business Source Complete, Mergent Online, and trade publications. All assignments require accurate citation of research.

□ No  If no, course may not be eligible

• Manage multiple perspectives as appropriate
  □ Yes  If yes, how will student learning be supported?
  Using business cases, which are complex, require students to consider issues and even the information provided from different perspectives to understand the underlying dynamics.

□ No  If no, course may not be eligible

• Recognize the purposes and needs of discipline-specific audiences and adopt the academic voice necessary for the chosen discipline
  □ Yes  If yes, how will student learning be supported?
  The students write within the business case analysis genre multiple times. This helps the students to receive feedback on their appropriate business audience voice. Additionally, the team projects are written for a business audience in mind.

□ No  If no, course may not be eligible

• Use multiple drafts, revision, and editing in conducting inquiry and preparing written work
  □ Yes  If yes, how will student learning be supported?

□ No  If no, course may not be eligible

Students receive repeated feedback within the same genre of business case analysis. This allows students to develop proficiency within that genre. Additionally the first two rounds of feedback on the strategic plan projects are formative, with expectations of revisions.
VI. WRITING COURSE REQUIREMENTS

- Enrollment is capped at 25 students. □ Yes  ☒ No
  If no, list maximum course enrollment. It is supposed to be capped at 36.
  Explain how outcomes will be adequately met for this number of students.
  Faculty use graduate assistants to help grade the case analyses. Instructors grade all of the strategic plan projects through the two formative rounds and the final product.

Justify the request for variance.
We have larger classes in the business school. The standard teaching load is three courses each semester. A class capped at 36 students is a small course for the school of business.

- Which written assignments will include revision in response to instructor’s feedback?

The strategic plan project requires revisions in response to the instructor’s feedback.

VI. WRITING ASSIGNMENTS

Please describe course assignments. Students should be required to individually compose at least 20 pages of writing for assessment. At least 50% of the course grade should be based on students’ performance on writing assignments. Quality of content and writing are integral parts of the grade on any writing assignment.

- Formal Graded Assignments

  Approximately eight individually submitted case analyses over the course of the semester. An undergraduate level case analysis paper is typically between three to five pages in length. The case analyses account for 30% of a student’s grade. In-class quizzes prior to case discussion assess students’ integration ability. The case quizzes account for 10% of a student’s grade. The final strategic plan project is graded as well and accounts for 50% of a student’s grade.

- Informal Ungraded Assignments

  We do not use any informal ungraded assignments other than those used in class for application of concepts or to improve class discussions, such as write-pair-share exercises.

- Attach/submit a sample writing assignment. Include instructions / handouts provided to students. Students read a case and must submit strategic recommendations and the justification at the end. A copy of the grading rubric is attached as well as in the syllabus. In developing the rubric we included the University of
Montana writing course rubric metrics. A copy of a business case is attached. Copyright on cases is carefully monitored so please treat this educator’s copy with consideration of copyright issues when this is distributed.

VII. ASSESSMENT

See syllabus

VIII. SYLLABUS

Attach / submit syllabus. It must include the list of Writing Course learning Outcomes above.

IX. SUBMISSION

After all signatures have been obtained, submit original, and an electronic file to the Faculty Senate Office, UH 221. An electronic copy of the original signed form is acceptable.
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<tbody>
<tr>
<td><strong>Rubric</strong></td>
<td><strong>25 points</strong></td>
<td><strong>20 points</strong></td>
<td><strong>17 points</strong></td>
<td><strong>13 points</strong></td>
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<tr>
<td>25 points Identifies and demonstrates a sophisticated understanding of the main issues/problems in the case study. Can synthesize and apply information provided. The writing demonstrates a clear ability to synthesize concepts. The answer consistently shows ability to evaluate and use information effectively.</td>
<td>20 points Identifies and demonstrates an acceptable understanding of most of the issues/problems. Presents a thorough analysis of most of the issues identified. However, it is not clearly stated or does not use discipline specific language. Can synthesize and apply information provided. Demonstrated ability to evaluate and use information.</td>
<td>17 points Demonstrates inadequate understanding of the issues/problems. Provides a superficial or incomplete analysis of some of the identified issues. Cannot synthesize and apply information provided. Expression of ideas may be vague, unclear, and/or unorganized at times. Demonstrates a developing ability to synthesize concepts. Demonstrates an uneven ability to use information; use of information may be insufficient.</td>
<td>13 points Answer clearly demonstrates lack of understanding of information provided and the issues/problems. Demonstrates difficulty in synthesizing concepts. Use of information is inaccurate, inappropriate, or missing.</td>
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<tr>
<td><strong>Integration</strong></td>
<td><strong>25 points</strong></td>
<td><strong>20 points</strong></td>
<td><strong>17 points</strong></td>
<td><strong>13 points</strong></td>
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<tr>
<td>25 points Makes powerful connections between identified issues/problems and the concepts studied in this course and core curriculum; supplements case study with relevant and thoughtful research. Includes all necessary calculations.</td>
<td>20 points Makes appropriate connections between identified issues/problems and the concepts studied in this course and core curriculum; supplements case study with some research and calculations.</td>
<td>17 points Makes appropriate but somewhat vague connections between identified issues/problems and concepts studied in this course and core curriculum; demonstrates limited command of analytical tools studied; supplements case study with limited research.</td>
<td>13 points Makes inappropriate or little connection between issues identified and the concepts studied in this course and core curriculum; supplements case study, if at all, with incomplete research and documentation. Omits necessary calculations.</td>
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<tr>
<td><strong>Recommendations on Effective Solutions/Strategies</strong></td>
<td><strong>25 points</strong></td>
<td><strong>20 points</strong></td>
<td><strong>17 points</strong></td>
<td><strong>13 points</strong></td>
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<tr>
<td>25 points Supports diagnosis and opinions with strong arguments and well documented evidence. Presents a balanced and critical view. Interpretation is both reasonable and objective. Discusses implementation and consequences.</td>
<td>20 points Supports diagnosis and opinions with arguments and documented evidence. Interpretation is reasonable. Discusses implementation or consequences of strategy.</td>
<td>17 points Supports diagnosis and opinions with limited reasoning and evidence. Presents a somewhat one sided argument. Demonstrates little engagement with ideas presented.</td>
<td>13 points Little or no action suggested and/or inappropriate solutions proposed to the issues in the case study.</td>
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<td><strong>Effective Communication</strong></td>
<td><strong>15 points</strong></td>
<td><strong>12 points</strong></td>
<td><strong>10 points</strong></td>
<td><strong>5 points</strong></td>
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<td>15 points The texts show a strong sense of purpose and audience. Expression of ideas is articulate, developed, and well-organized. Organization of paper is clear and easy to follow.</td>
<td>12 points The texts show a clear sense of purpose and audience. Expression of ideas is generally developed and organized. Organization of paper is okay, but does not enhance understanding.</td>
<td>10 points Writing style (word choice and sentence fluency) is sometimes ineffective for the purpose and audience. Organization of paper confuses reader.</td>
<td>5 points Writing style (word choice and sentence fluency) is not effective. The organization is illogical or weak.</td>
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<td><strong>Solutions</strong></td>
<td><strong>10 points</strong></td>
<td><strong>8 points</strong></td>
<td><strong>7 points</strong></td>
<td><strong>2 points</strong></td>
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<tr>
<td>10 points While there may be a few errors in grammar, usage, and mechanics, a strong command of English language usage is clearly evident.</td>
<td>8 points While there may be some errors in grammar, usage, and mechanics, a competency in English language usage is evident.</td>
<td>7 points A basic control of English language usage is apparent, even though frequent errors in grammar, usage, or mechanics may occasionally hinder understanding.</td>
<td>2 points Severe problems with grammar, usage, and mechanics show poor control of English language and impede understanding.</td>
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</table>

Has the effort put forth demonstrated the full potential of the student's capability? Yes / No = -5 points **TOTAL**
BGEN 499: Strategic Management
Spring 2015: Common Syllabus for all my sections
Three credits (3 cr.), Traditional Grading option only
Course Pre-requisites: Senior standing in Business, COMX 111, ECNS 202, BGEN 220 with grades C or better and completed upper Business core

Class Meetings: Monday & Wednesdays
Class location
CRN xxxx

Instructor: xx
Office Hours: Mon. xx
Wed. xx
and by appointment

School of Business Administration Mission Statement
The University of Montana’s School of Business Administration enhances lives and benefits society by providing a world-class business education in a supportive, collegial environment.

School of Business Administration / Assessment and Assurance of Learning
As part of our assessment process and assurance-of-learning standards, the School of Business Administration (SoBA) has adopted the following learning goals for our undergraduate students.
Learning Goal 1: SoBA graduates will possess fundamental business knowledge.
Learning Goal 2: SoBA graduates will be able to integrate business knowledge.
Learning Goal 3: SoBA graduates will be effective communicators.
Learning Goal 4: SoBA graduates will possess problem solving skills.
Learning Goal 5: SoBA graduates will have an ethical awareness.
Learning Goal 6: SoBA graduates will be proficient users of technology.
Learning Goal 7: SoBA graduates will understand the global business environment in which they operate.

Course Objectives:
This course is the capstone course on the topic business strategy, which is concerned with answering the question: “Why are some organizations more successful than others?” With that in mind, we first analyze the external environment and the firm’s unique features, then consider measurement tools, and finally investigate interrelationships between firms within industries. The culmination of the course is a comprehensive, well-reasoned strategic recommendation for a business.

This is a capstone course, which brings together ideas and skills from a variety of functional areas (such as accounting, management information systems, finance, marketing, and management) into a coherent whole. Even though you may be concentrating in one area of business, you are likely to either
need to use all areas of knowledge in any small business or entrepreneurial organization or you will move into positions with increasing management responsibility as your career progresses. Although we are integrating core curriculum, the overriding teaching objective is to sharpen your ability to think strategically and critically.

By the end of this course, you will be able to:

**Objectives of the Course:**

1. Apply and integrate knowledge acquired during your career as a student to real business problems, involving analysis, solution development, and implementation.
2. Sharpen your communication skills.
3. Engage in strategic thinking. Understand how to compare and choose among strategic alternatives.
4. Assess an industry to determine its attractiveness.
5. Recognize the interaction between different business areas, e.g. innovation/R&D, production/operations, financing, accounting, management, and marketing.
6. Evaluate a business using specific analytical techniques and frameworks.
7. Develop basic managerial skills such as leadership, decision making, and prioritizing.
8. Improve skills in achieving group effectiveness.
9. Fulfill UM’s Upper-Division Writing Requirement in the Major.

**Learning Outcomes:**

1. Students can integrate knowledge in management, marketing, management information systems, accounting and finance.
2. Students show competence in information technology and digital literacy; they can find, evaluate, analyze, and synthesize information effectively from diverse sources.
3. Students can develop, evaluate and deliver a strategic plan for a business.
4. Students can identify the roles of leadership and teamwork, apply teamwork skills to solve a business problems, and assess how personal attributes influence the success and failure of a venture.
5. Students have written and oral communication skills as expected of business professionals, including conventions of citation, documentation and formal presentation, adopting the proper voice, and considering multiple perspectives.

**Course Format and Expectations:**

1. BGEN 499 is fast paced. Our class time will be devoted to lecture, discussion, and case analysis.
2. Preparation expected before class:
   - All reading and assignments for the day have been completed,
   - You have given thought to the topics to be discussed,
• You are prepared with questions about relevant issues you want to discuss, explore, or challenge.

3. All students must practice academic honesty. Academic misconduct is subject to an academic penalty by the course instructor and/or disciplinary sanction by the University. All students need to be familiar with the Student Conduct Code. The Code is available for review online at (Section V.A., available at http://www.umt.edu/vsac/policies/student_conduct.php). Electronic devices must be turned to silent during class time.

4. Students are expected to be proficient in all business disciplines based on previous coursework. If you feel weak in any specific area, you should allocate extra time to develop that knowledge. Your instructor can provide you with references, if needed.

5. Laptop computers may be used for note taking in class, but not for e-mailing, stock trading, gaming, or other non-class activities. If not used appropriately, a student risks losing the privilege to use electronics for the rest of the semester. Students are expected to abide by the SoBA Code of Professional Conduct http://www.business.umt.edu/Soba/SoBAEthics/CodeofProfessionalConduct.aspx.

6. The University of Montana assures equal access to instruction through collaboration between students with disabilities, instructors, and Disability Services for Students. If you think you may have a disability adversely affecting your academic performance, and you have not already registered with Disability Services, please contact Disability Services in Lommasson Center 154 or 406.243.2243. I will work with you and Disability Services to provide an appropriate modification. Please contact me within the first couple of weeks to arrange for accommodations.

Text and Readings:

• Mansfield Library – Most of the course readings are available electronically through the Business Source Complete database.
• Moodle – Some additional resources are posted on our Blackboard site. Typically, they are PDF files.
• Harvard Business Cases – students purchase cases for in-class analysis from the Harvard Business site. The correct link is http://cb.hbsp.harvard.edu/cb/access/xxxxx to access and pay for the cases used specifically in this course. Students pay for cases via the HBS Publishers’ website.
• Wall Street Journal – students purchase a semester subscription through the UM Bookstore.

Assignments, Evaluation, and Grading:

Roughly half of your grade individually determined (participation, career development, exams, and cases) and half of your grade determined by group performance (presentations). Assignment of letter grades follows the University of Montana scales. The breakdown of the evaluation is as follows:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Weight</th>
<th>Learning Outcome Addressed</th>
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</thead>
<tbody>
<tr>
<td>Major Field Test</td>
<td>Must pass to receive a grade</td>
<td></td>
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</tbody>
</table>


<table>
<thead>
<tr>
<th>Participation</th>
<th>10%</th>
<th>1, 2, 3, 4, 5</th>
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<tbody>
<tr>
<td>Quizzes</td>
<td>10%</td>
<td>1, 2, 5</td>
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<tr>
<td>Case Analyses</td>
<td>30%</td>
<td>1, 2, 3, 5</td>
</tr>
<tr>
<td>External Analysis</td>
<td>Formative</td>
<td>1, 2, 3, 4, 5</td>
</tr>
<tr>
<td>Internal Analysis</td>
<td>Formative</td>
<td>1, 2, 3, 4, 5</td>
</tr>
<tr>
<td>Strategic Recommendation</td>
<td>Presentation 20% + Content 30% = 50%</td>
<td>1, 2, 3, 4, 5</td>
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</table>

**Major Field Test:**
Students must pass the Major Field Test assessment to receive a grade in the class.

Each student must attend the Major Field Test. If you have an emergency, you must let the professor and Associate Dean Terri Herron (Terri.Herron@umontana.edu) know via email prior to the assessment date. The professor reserves the right to adjust the student’s final grade down one full letter grade for absences during this assessment. The Major Field Test will be online in GBB213 on Friday, October 16. Section 1 has priority for the 7:00 to 9:30am time slot and section 2 has priority on the 9:30 to noon time slot. Each student must sign-up for their preferred time slot via Moodle. Reasonable accommodations for the Major Field Test can be made by contacting the professor and Andi Armstrong (andrea.armstrong@umontana.edu or 243-4832)

**Participation:**

Class participation is a function of preparation, skills, attitude, and a willingness to share one’s ideas with the class. Frequent and ongoing evaluation will be made in this area, and credit will be given for progress over the term.

**Comments in Class**
Simply attending class is necessary but not sufficient. This course has a large case component and thus requires more of students than a conventional, lecture-based course. Not only should students be familiar with the fundamental concepts presented in the accompanying text for each class, but even more importantly, they should also be intimately familiar with the details of the case. You should identify the critical problems presented in the case, calculate and assimilate appropriate financial figures, generate and evaluate alternate courses of action, and be able to select and defend your choice. This course prepares you for a managerial career, in which you will do these same tasks, albeit in significantly more detail. Please bring all case materials, including notes, calculations, and/or outlines you’ve generated during your preparation, to class. Keep in mind while analyzing cases that there is no single right answer, but some answers are better than others. To find those apply strategic concepts and critical thinking to the situations presented.

You may be ‘cold called’ upon to state your major conclusions and then to provide evidence and analysis in support. Even if the situation appears ambiguous, it is important to examine data, reasons, and assumptions that make some answers better than others. Managers usually have limited information or face ambiguous situations when making decisions. For class discussion you will be expected to draw from all the relevant readings and class discussions to date. Also, please respectfully
listen to your classmates and suggest supporting or alternative views. Thoughtful debate is highly encouraged.

Roughly, participation for each class will be evaluated as follows:

<table>
<thead>
<tr>
<th>Attendance</th>
<th>1 point</th>
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<tr>
<td>Comment that contributes to discussion</td>
<td>2 points</td>
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<tr>
<td>Comment that substantially moves discussion forward, such as by applying relevant frameworks, solving problems, providing alternate interpretations, etc.</td>
<td>3 points</td>
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<tr>
<td>Comment that alters everyone’s perceptions and takes discussions to a new level</td>
<td>4 points</td>
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**Peer Assessed Participation**
Team members are required to evaluate each other on group participation. Each student will have 100 points to distribute among the entire group including him or herself, based on how they felt the other members of the group participated in the group process. This evaluation is *due by 5 pm of Wednesday, xx.*

Finally, if a team member is not performing, the group may agree to remove that member. This may be done only after consulting with the professor and making repeated attempts to motivate the team member. A team member who is removed from a team must complete the assignments individually and forfeits one-half of the possible course participation points.

**Case Analysis Assignments – Capstone Integration and Writing Proficiency**
As the Capstone and Advanced College Writing class for all School of Business Administration students, each student is expected to demonstrated integration of material from the entirety of his or her matriculation. Integration will be demonstrated with case analyses, in-class quizzes on cases, and the strategic plan.

Writing proficiency will be demonstrated through individual written case analyses in addition to the team writing for the strategic plan. Students will have multiple submissions in the genre case analysis in order to improve over the course. The rubric for grading case analyses is at the end of this document. The due dates for the case analyses and Strategic Plan deliverables are included on the syllabus schedule. Case analyses are submitted on Moodle and are due prior to the beginning of the class in which the case is discussed. Case analyses must be done individually. You will not pass this class unless you demonstrate effective written communication.

**Quizzes**
Quizzes in-class prior to case discussion capture integration of material from a student’s matriculation in the School of Business Administration. The assessment captures students’ knowledge of core principles from their matriculation and their ability to apply the information in an integrated fashion.
Presentations
Teams present thrice, the first and second presentations provide an opportunity for the students to focus on the situation and receive feedback without a predetermined strategy determined. The third presentation will very quickly discuss the situation, but will mainly focus on the strategy and implementation for the recommendation.

Strategic Plan
The centerpiece of the course is a comprehensive, well-reasoned strategic plan for an existing business. You will learn that successful businesses are determined by the nature of the industry in which the business competes, its position within the industry, its interactions with rivals, and the way it is organized and managed. See the Strategic Plan handout for more details on this group project.

Please find a detailed class schedule on the next page.

About the Professor

xx.
Subject to change – changes will be announced in class and on Blackboard.
ML = Mansfield Library; HB = Harvard Business Case site; MD = Posted on Moodle

<table>
<thead>
<tr>
<th>Class</th>
<th>Topic</th>
<th>Reading Assignments</th>
<th>(Complete Before Class)</th>
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<tbody>
<tr>
<td>1.</td>
<td>Introduction &amp; Overview</td>
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<td></td>
<td>Case Method</td>
<td>MD Analyzing Cases</td>
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<td></td>
<td>CASE - Robin Hood (Handout first day, no write up)</td>
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<td>Determine Business Plan Team Members</td>
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<td>Email to Professor</td>
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<td>3.</td>
<td>Holiday – no class</td>
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<tr>
<td></td>
<td>Topic: Library Research</td>
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<td>Team Charters are due</td>
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<td>5.</td>
<td>Measuring Performance cont.</td>
<td>HB Best Laid Incentive Plans</td>
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<td>Case Analysis</td>
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<td>6.</td>
<td>Case analysis</td>
<td>HB Boston Lyric Opera</td>
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<td>Company Determination Due</td>
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<td>Email Professor the name of company/division, Plan for obtaining financial data and why you selected this company</td>
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<td>ML Beinhocker, Eric; Davis, Ian; Mendonca, Lenny.. “The 10 Trends you have to Watch” Harvard Business Review, Jul/Aug 2009, Vol. 87 Issue 7/8, p55-60</td>
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<td>8.</td>
<td>External Environment cont.</td>
<td>MD</td>
<td>Purdue Porter Five Forces Worksheet</td>
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<tr>
<td></td>
<td></td>
<td>ML</td>
<td>Hopkins, M. S. “8 Reasons Sustainability Will Change Management (That You Never Thought of)” MIT Sloan Management Review v. 51 no. 1 (Fall 2009) p. 27-8</td>
</tr>
<tr>
<td>9.</td>
<td>Case analysis</td>
<td>MD</td>
<td>“Punch Up in the Potash Industry (A) – The Fertilizer Hits the Fan”</td>
</tr>
<tr>
<td>10.</td>
<td>Case analysis</td>
<td>HB</td>
<td>Pharmaceutical Industry: Challenges in the New Century</td>
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<tr>
<td>11.</td>
<td>Presentations on External Analysis</td>
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<tr>
<td>12.</td>
<td>Presentations on External Analysis</td>
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<td>15.</td>
<td>Case Analysis</td>
<td>MD</td>
<td>McDonalds</td>
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<tr>
<td>16.</td>
<td>Presentations on Internal Analysis</td>
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<td>17.</td>
<td>Presentations on Internal Analysis cont.</td>
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20. in-class video Discontinuous Innovation, Clayton Christensen

In class worksheet (call number for video and copy of worksheet posted on Moodle)

21. Corporate-level Strategy


22. Corporate-level; International


23. Case Analysis

Bombardier Transportation and the Adtranz Acquisition

24. Organization & Technology


25. Case Analysis

Pandora

26. Holiday - no class
<table>
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<tbody>
<tr>
<td>28.</td>
<td>Case Analysis</td>
<td>HB</td>
<td>Patagonia</td>
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<tr>
<td>29.</td>
<td>Case Analysis</td>
<td>HB</td>
<td>Growing for Broke</td>
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<tr>
<td>30.</td>
<td>Strategic Plan Presentations cont.</td>
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<tr>
<td>31.</td>
<td>Strategic Plan Presentations cont.</td>
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*Please note that this syllabus is subject to change. All changes will be announced in class.*
Strategic Plan Instructions  
BGEN 499

The business plan project is the centerpiece of this course and will require you to integrate and apply approaches and tools learned in the course to an actual existing business situation. The firm you choose can be a stand-alone entity or a business unit of a larger corporation. It can be public or private. The plan must be realistic and rigorous, incorporating the real world context, numerical calculations, and conceptual analysis. The plan must be the result of your team’s original thought process. You cannot recommend a strategic initiative the business is already enacting. A good plan will be logically consistent and show (realistic) profitability or reduction in losses.

Requirements

Group Composition: This is a group project, with groups consisting of 4 or 5 people. Consider creating a group that includes people with different skill sets and life experiences since that will provide more depth in their areas of expertise as well as provide a broader view of the project as a whole. Team members are assigned roles: External analysis lead, Internal analysis lead, Financial analysis and strategic projections lead, and Strategic recommendation lead. If there are 5 team members then the financial role is split for the second and third presentations.

I recommend turning in an Initial Team Charter to the professor. The template is posted on the Blackboard site.

You are required to evaluate your group members to prevent “free-rider” problems. If you fail to evaluate group members at the end of the semester you forfeit the team participation points awarded to you by your teammates. If a team member is not performing, the group may agree to remove that member. This may be done only after consulting with the professor and making repeated attempts to motivate the team member. A team member who is removed from a team must complete the assignments individually and forfeits one-half of the possible course participation points.

Presentation Format: Presentations are done by the lead team-member(s). The Financial analysis lead will present with both the Internal analysis lead and the Strategic recommendation lead in the second and third presentations.

You will be graded on style, integration, coherence, flow, and structure. Wear business appropriate attire for presentations. Be concise and make trade-offs as to what to include and what to omit. Be sure to include a summary slide at the end of each presentation. Practicing your presentation beforehand is STRONGLY recommended. Having fun is also strongly recommended. Copies of the grading rubrics are at the end of this document.
The External Analysis Presentation is limited to 10 minutes. The Internal Analysis Presentation is limited to 15 minutes. The Strategic Recommendation Presentation is limited to 15 minutes.

Documentation Format: On the first day of each of the three presentations, teams turn in a packet of their presentation slides with any needed appendices. These slides are evaluated for content. As such make sure they contain the pertinent information. When the Strategic Recommendation slides are turned in, the previous two presentation slides are turned in with any necessary corrections.

References: Include sufficient references for statements in your plan, with footnotes and full citations listed as separate pages in the appendix (following the presentation slides). Use the Mansfield Library unabashedly and completely, especially their printed resources. Do not limit yourself to on-line resources. If you do use on-line data resources, you must provide references to these as well. Use the Wall Street Journal, Business Week, Fortune, Forbes, and other business publications.

Deadlines: Refer to the syllabus for the schedule.

External Analysis

This first presentation describes the environment in which the company operates, including industry characteristics and competitors.

This analysis should include all of the following components (points for each section are listed in parentheses after each section heading):

1. **Introduction**: Identify your company and, most importantly, a clear definition of the industry. Include the geographic scope of the industry and what portions of the business are to be considered.

2. **Changes and trends in the environment**: Discuss the economic, technological, political-legal, socio-cultural, and other trends and how they affect the industry. Ignore trends of lesser importance.

3. **Complete five-forces industry analysis**: Conduct a five-force analysis of this industry, making conclusions about the strength of each force and providing an overall assessment of the industry’s attractiveness.

4. **Analysis of existing competitors**: Discuss the key success factors in this industry and assess the existing competitors (not including your company). Describe interactions between the companies and any indirect players that could change the competitive dynamics of the industry.
5. **Industry segmentation and demand issues:** Describe the customer/product/market segments in this industry, including differences on key dimensions. Discuss what drives customer satisfaction and loyalty and analyze how well your company is positioned and in which segments. Discuss the industry’s financial performance over time.

6. **Opportunities in the industry:** Propose customers or segments of the industry that are not well served. Show thinking and justification for the identified opportunities.

**Internal Analysis**

The second presentation examines the resources and capabilities of your chosen organization. This examination should draw on data from the organization itself and reliable secondary data sources such as (but not limited to) industry reports, trade publications, and analysts’ coverage to construct a credible description of the organization’s resources, capabilities and commensurate constraints.

1. **Introduction:** Describe the core mission or objectives of your company. Explain the company’s generic strategy.

2. **Internal resource assessment:** Analyze your company’s internal resources and capabilities, including its key strengths and weaknesses. Be sure to use both organizational and secondary sources. How do its major areas (R&D, marketing, operations, human resources, information systems, financials, etc.) align with industry opportunities? What is the basis of the company’s competitive advantage? Applying the Value Chain and Core Competencies frameworks. How is the value of their resources and competencies enduring? Be sure to include specific incidences or examples.

3. **Financial resources:** The firm’s financial position determines which strategic opportunities available to you. Include key performance ratios and discuss how they compare to industry averages or competitors. Explain any expected changes in the firm’s financial position.

4. **Opportunities for the company:** Propose better usage or leveraging of existing resources or capabilities. This may include reducing or eliminating poor performing resources. These are still not recommendations, but a process in the generation of potential actions. Show thinking and justification for the identified opportunities.

In addition to these specific topics, you will also be evaluated on research embodied in the report, citation list, and graphics.
Strategic Recommendation & Budget

The third presentation provides your recommendation for the company, along with all the relevant operational and financial details.

1. **Executive Summary**: Explain the nature of the business, your strategic recommendation and its rationale, and the implementation plan.

2. **Strategic Alternatives and your Recommendation**: Discuss the alternatives to your recommendation. Discuss your rationale for preferring this alternative over the others. Discuss your recommendation's connection to business strategies taught in class or readings and how it helps the company meet its strategic goals.

3. **Implementation Plan**: Develop a specific plan about how the company will implement your recommendation. Include how the attributes of your products and services will be supported by marketing activities (pricing, promotion, distribution, target marketing, etc.). Discuss any changes to the organizational structure and human resources. Describe how operations and production will be affected by your plan. Develop an Activity Map. Explain other aspects of the value chain as applicable and discuss how they will be managed. Propose and defend how the company should measure performance.

4. **Financial Projections**: Develop a five-year financial projection along with a narrative that provides explanations and conclusions. You will need to make reasonable assumptions – for sales revenues, advertising expenses, capital expenditures, start up costs, and other factors - be sure to be explicit about these and include them after the slide set. Include information that is relevant to the changes you suggest as it is necessary in the income statement/balance sheet. If you are starting a new company a statement of cash flows may be necessary. Financial projections should extend five years. Make sure all numbers are consistent with the marketing, operational, and managerial plans. Include key performance ratios and discuss how they compare to industry averages.

5. **Risk Assessment and Contingency Plans**: Discuss 3 significant risks that could impact your company’s performance. Propose contingency plans for the company should one or more of these risks occur.

6. **Conclusion**: Summarize the key points of the plan and motivate the key decision makers to proceed.
Possible Approaches

Here are several possible approaches you may take in your plan. You do not need to be limited by this list, but they are good places to start.

1. **Start ups**: This plan would involve an existing company that is extremely small, busy, or has not done much strategic planning. The emphasis will be on assessing the company's performance, defining the core mission and strategic focus, and establishing a set of implementation priorities.

2. **New products and/or new markets**: This plan would involve deploying a new product into an existing market, existing products into new markets, or new products into new markets (the most daunting task). The emphasis will be on determining the viability of the products and markets, creating realistic projections, and fitting these new initiatives with the rest of the business.

3. **Realignment**: This plan would involve adjustments to a company's current position so that it better aligns with anticipated environmental changes. The emphasis will be on assessing past/current performance, proving realignment is necessary, and creating organizational, market-based, financial, resource, and other recommendations to put the company on a more profitable path.

4. **Overhaul**: This plan would involve a wholesale change in the way the company operates. The emphasis will be on why such a drastic change is required, how it will be accomplished, and the financial, managerial, and market implications of the changes.

**A Final Note**

Please contact me sooner rather than later if you have any questions on your plan. Problems that are easily solved in week three can be insurmountable two days before the plan is due. Meet regularly with your group and have a realistic timeline for the overall project.
# External Analysis Presentation Evaluation

**Group Name:**

**Team Members:**

<table>
<thead>
<tr>
<th>Section</th>
<th>Content</th>
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<tbody>
<tr>
<td></td>
<td><strong>Appealing and convincing introduction</strong></td>
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<td></td>
<td><strong>Good discussion of changes and trends in general external environment PESTEL</strong></td>
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<td></td>
<td><strong>Good discussion of changes and trends in industry</strong></td>
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<td></td>
<td>- 5-forces attractiveness</td>
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<td>- Industry segments and demand issues</td>
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<td>- Existing competitors</td>
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<td>- Value System or Profit Pool</td>
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<td></td>
<td><strong>Discussion of opportunities in the industry?</strong></td>
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<td></td>
<td><strong>Strong evidence of research (citations where appropriate?)</strong></td>
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<td></td>
<td><strong>Q&amp;A – clear, concise, well supported answers</strong></td>
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<tr>
<td>Delivery</td>
<td><strong>Professionalism</strong></td>
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<td></td>
<td><strong>Continuity and flow</strong></td>
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<td></td>
<td><strong>Effective pace and use of time</strong></td>
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<td></td>
<td><strong>Responsiveness to questions</strong></td>
</tr>
<tr>
<td>Visual Aids</td>
<td><strong>Visual aids support conclusions and presentation style</strong></td>
</tr>
<tr>
<td></td>
<td>- Slides are informative &amp; appealing, flows logically, well practiced</td>
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<tr>
<td></td>
<td><strong>Appropriate level of detail</strong></td>
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## Total

**Greatest strength of the presentation was:**

**Most important area in which this presentation could have been strengthened:**
Internal Analysis Presentation Evaluation

Group Name: ____________________________________________________________

Team Members: __________________________________________________________

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<thead>
<tr>
<th>Section</th>
<th>Content</th>
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<tbody>
<tr>
<td>Content</td>
<td>- Appealing and convincing introduction (Exec. Summary)</td>
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<tr>
<td></td>
<td>o Why change at all?</td>
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<td></td>
<td>- Internal resource assessment</td>
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<td>o Strengths &amp; Weaknesses</td>
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<td></td>
<td>o Generic Strategy</td>
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<td>o Core Competencies</td>
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<td>o Value Chain</td>
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<td></td>
<td>o How do functional areas match opportunities</td>
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<td></td>
<td>- Financial resource assessment</td>
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<td></td>
<td>o Key performance ratios compared to industry</td>
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<td></td>
<td>o Expected changes in financial position?</td>
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<td></td>
<td>- Opportunities for company (still not recommendations, yet several areas for improvement)</td>
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<tr>
<td></td>
<td>- Strong evidence of research (citations where appropriate?)</td>
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<td></td>
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Total

Greatest strength of the presentation was:

Most important area in which this presentation could have been strengthened:
Strategy Recommendation Presentation Evaluation

Group Name: 

Team Members: 

<table>
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<tr>
<th>Section</th>
<th>Points</th>
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<tbody>
<tr>
<td><strong>Content</strong></td>
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<tr>
<td>• Appealing and convincing introduction (Exec. Summary)</td>
<td>/ 200</td>
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<tr>
<td>o Why change at all?</td>
<td></td>
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<tr>
<td>• Good discussion of strategic alternatives</td>
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<tr>
<td>• Good explanation for selection among alternatives</td>
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<td>o Why this one? Why is it a good fit?</td>
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<td>• Good discussion of implementation plan</td>
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<td>o Product or service attributes/ organizational changes considered</td>
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<td>o Activity Map</td>
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<td>o Use of framework (value chain, bus-level or corp-level strat?)</td>
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<td>o Performance measurement</td>
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<tr>
<td>• Good discussion of financials</td>
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<td>o 5-year projection (consistent with recommendation?)</td>
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<tr>
<td>o Key performance ratios compared to industry</td>
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<tr>
<td>• Discuss risk assessment and contingency plan</td>
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<td>/ 300</td>
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Greatest strength of the presentation was:

Most important area in which this presentation could have been strengthened:
<table>
<thead>
<tr>
<th><strong>Rubric for Case Analysis</strong></th>
<th><strong>Exceeds Standard</strong></th>
<th><strong>Meets Standard</strong></th>
<th><strong>Below Standard</strong></th>
<th><strong>Does Not Meet Standard</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Critical Evaluation and Application</strong></td>
<td>25 points Identifies and demonstrates a sophisticated understanding of the main issues/problems in the case study. Can synthesize and apply information provided. The writing demonstrates a clear ability to synthesize concepts. The answer consistently shows ability to evaluate and use information effectively.</td>
<td>20 points Identifies and demonstrates an acceptable understanding of most of the issues/problems. Presents a thorough analysis of most of the issues identified. However, it is not clearly stated or does not use discipline specific language. Can synthesize and apply information provided. Demonstrated ability to evaluate and use information.</td>
<td>17 points Demonstrates inadequate understanding of the issues/problems. Provides a superficial or incomplete analysis of some the identified issues. Cannot synthesize and apply information provided. Expression of ideas may be vague, unclear, and/or unorganized at times. Demonstrates a developing ability to synthesize concepts. Demonstrates an uneven ability to use information; use of information may be insufficient.</td>
<td>13 points Answer clearly demonstrates lack of understanding of information provided and the issues/problems. Demonstrates difficulty in synthesizing concepts. Use of information is inaccurate, inappropriate, or missing.</td>
</tr>
<tr>
<td><strong>Integration</strong></td>
<td>25 points Makes powerful connections between identified issues/problems and the concepts studied in this course and core curriculum; supplements case study with relevant and thoughtful research. Includes all necessary calculations.</td>
<td>20 points Makes appropriate connections between identified issues/problems and the concepts studied in this course and core curriculum; supplements case study with some research and calculations.</td>
<td>17 points Makes appropriate but somewhat vague connections between identified issues/problems and concepts studied in this course and core curriculum; demonstrates limited command of analytical tools studied; supplements case study with limited research.</td>
<td>13 points Makes inappropriate or little connection between issues identified and the concepts studied in this course and core curriculum; supplements case study, if at all, with incomplete research and documentation. Omits necessary calculations.</td>
</tr>
<tr>
<td><strong>Recommendations on Effective Solutions/Strategies</strong></td>
<td>25 points Supports diagnosis and opinions with strong arguments and well documented evidence. Presents a balanced and critical view. Interpretation is both reasonable and objective. Discusses implementation and consequences.</td>
<td>20 points Supports diagnosis and opinions with arguments and documented evidence. Interpretation is reasonable. Discusses implementation or consequences of strategy.</td>
<td>17 points Supports diagnosis and opinions with limited reasoning and evidence. Presents a somewhat one sided argument. Demonstrates little engagement with ideas presented.</td>
<td>13 points Little or no action suggested and/or inappropriate solutions proposed to the issues in the case study.</td>
</tr>
<tr>
<td><strong>Effective Communication</strong></td>
<td>15 points The texts show a strong sense of purpose and audience. Expression of ideas is articulate, developed, and well-organized. Organization of paper is clear and easy to follow.</td>
<td>12 points The texts show a clear sense of purpose and audience. Expression of ideas is generally developed and organized. Organization of paper is okay, but does not enhance understanding.</td>
<td>10 points Writing style (word choice and sentence fluency) is sometimes ineffective for the purpose and audience. Organization of paper confuses reader.</td>
<td>5 points Writing style (word choice and sentence fluency) is not effective. The organization is illogical or weak.</td>
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<td>10 points While there may be a few errors in grammar, usage, and mechanics, a strong command of English language usage is clearly evident.</td>
<td>8 points While there may be some errors in grammar, usage, and mechanics, a competency in English language usage is evident.</td>
<td>7 points A basic control of English language usage is apparent, even though frequent errors in grammar, usage, or mechanics may occasionally hinder understanding.</td>
<td>2 points Severe problems with grammar, usage, and mechanics show poor control of English language and impede understanding.</td>
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</table>

Has the effort put forth demonstrated the full potential of the student's capability? Yes / No = -5 points **TOTAL**
PUNCH UP IN THE POTASH INDUSTRY (A): AGRIUM INC. - THE FERTILIZER HITS THE FAN

Amit Jethani wrote this case under the supervision of Professor Mark Vandenbosh solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On July 31, 2013, a Globe & Mail article entitled, “Cartel Split Upends Potash Industry,” claimed that major Canadian firms would need to rethink their strategy going forward as Russian producer Uralkali surprised the industry and announced its exit from the BPC cartel, plummeting stock prices and pressuring profits. This news came shortly after Michael M. Wilson, president & CEO of Agrium Inc., announced forward guidance for the second quarter of 2013 of US$4.601 to $5.40 diluted earnings per share after reporting strong first quarter results. Agrium was also on schedule to expand its annual potash capacity at Vanscoy by 750,000 tonnes, a projected increase of up to 40 per cent of current levels.2

Agrium’s forward guidance was now in doubt. With the BPC cartel breaking up, Agrium’s share price dropped 7 per cent from $91.43 to $85.00 in one of its busiest trading sessions within a day of the announcement.3 Anticipating a flurry of media activity, Wilson chose to keep his thoughts to himself and declined to comment on the situation. However, a week later, Wilson claimed that the Uralkali move wouldn’t affect Canpotex — the Canadian export cartel.4

WHAT IS POTASH?

Potassium chloride, commonly called potash, is mined from ore deposits located deep underground or extracted from salt lakes or seas. Almost 91 per cent of all potash is used as a fertilizer by a wide range of crops. By helping plants develop strong root systems and retain water, it enhances yields and promotes greater resistance to disease and insects. Because it improves the taste and nutritional value of food, potash is often called a “quality nutrient.”5

Potash is used on many agricultural commodities and global consumption is growing in line with population growth. Wheat, rice, corn, oilseed and sugar crops consume over half of the potash used worldwide. Fruits and vegetables are important users of potash fertilizers and consumption in this sector is growing. The remainder goes to other consumer and industrial crops such as oil palm, rubber, cotton, rubber, cotton,

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1 This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Agrium Inc. or any of its employees.
coffee and cocoa. The top five consuming countries — China, Canada, United States, Brazil and India — account for almost 60 per cent of global consumption.

Of all potash produced, 24 per cent is sold within regions of producing firms and the remainder is exported outside the region, typically to countries outside of respective trade zones. Across regions, potash is traded via ocean vessels, with a few exceptions such as the railroad link between Russia and China. Hence, timely and cost-effective distribution systems are essential to supplying customers’ needs. Sailing times of 30 days or more are common to some markets, requiring significant upfront planning between supplier and customer to ensure that the potash arrives in time for key application seasons. See Exhibit 1 for comparative ocean freight times from various regions to emerging markets.

The world’s population is expected to grow to nine billion by 2050. Over the same period, the globe’s farmland is expected to increase by only 1 per cent, yet it must yield as much food in that time as it has over the last 8,000 years. The world’s farmers face an immense challenge that cannot be realized without good crop nutrition; potash is therefore essential to agriculture across the globe. Exhibit 2 details production demands on potash suppliers worldwide.

POTASH PRODUCTION

High-quality and economically mineable deposits of potash are geographically concentrated in just 12 countries. Canada, Russia and Belarus together account for just over two-thirds of global capacity and, according to the United States Geological Service, almost 90 per cent of estimated reserves. Almost half of world reserves and 35 per cent of global capacity are found in the Canadian province of Saskatchewan. Overall, potash is responsible for 14.4 per cent of the global fertilizer market, with nitrogen (57.1 per cent) and phosphate (28.6 per cent) forming the other major components.

In terms of production, conventional underground mines account for almost 80 per cent of global capacity. It costs anywhere between $55 to $190 per tonne to produce potash, depending on various factors such as ore grade and consistency, operational size, labour costs and degree of automation. Energy prices are a relatively small factor for conventional mines, which on average require less natural gas per tonne produced than solution mines. Most of global capacity is on the lower end of the cost curve.

With global population rising and diets improving in developing countries, potash, along with other nutrients, offers a responsible and practical solution to meeting the long-term demand for food. See Exhibit 3 for a visual on the global potash production landscape.

AN INDUSTRY OF CARTELS

Globally, Canpotex in North America and BPC in Eastern Europe are the two marketing firms that manage exports, including transportation and delivery, on behalf of major producers. The two export cartels control 70 per cent of the global potash production and, as a result, effectively set global prices. Exhibit 4 illustrates spot potash prices in U.S. dollars per tonne over the past decade.
Canadian Potash Exporters (Canpotex)

Canpotex is a joint venture among Saskatchewan’s Potash Producers: Agrium, Mosaic and PotashCorp. These three firms represent over 70 per cent of the North American production capacity. Established in 1970, Canpotex markets Saskatchewan potash outside of Canada and the United States. Canpotex manages the entire logistics and delivery network — which includes bulk cargo vessels, storage facilities, and 5,000 specialized railcars and port terminals in British Columbia and Oregon that transport Canadian potash to clients all around the world. Within the cartel’s mandate, the firms limit production levels to agreed-upon quotas and engage in price-fixing to set export prices. They keep each other in check by employing a “tit-for-tat” strategy to punish a greedy player by expanding their own production.

Within the mature local (North American) market, domestic producers supply approximately 90 per cent of the demand and the individual firms compete on price. However, the formation of an export cartel is a legal way of competing in the global market, as defined by the Competition Bureau. Export cartels have been exempted from competition laws in a number of countries on the theory that either their exporters needed some sort of countervailing power to compete effectively with foreign rivals or that mitigating harm abroad was not within their mandate.

PotashCorp

PotashCorp is the world’s largest crop nutrient company by capacity and it plays an integral role in global food production. The company produces the three essential nutrients required to help farmers grow healthier, more abundant crops. Headquartered in Saskatchewan, Canada, PotashCorp employed over 5,866 people. Founded in 1875 as a Crown Corporation, the company later made its initial public offering in 1989 and is listed on the Toronto and New York Stock Exchanges. PotashCorp relies heavily on potash exports as potash forms 41.4 per cent of the company’s revenue. PotashCorp is also a key player in Canpotex as it supplied 54 per cent of Canpotex’s total export volume in 2012. While agriculture is its primary market, the company also creates products for animal nutrition and industrial uses.

PotashCorp has a long-term value generation mindset. They are in the process of adding new potash capacity to stay positioned ahead of the curve by undertaking expansions earlier than the competition and at a lower cost. The goal is to be ready to respond to rising needs anticipated in Latin America, Asia, Africa and other growing markets that are working to improve crop yields. As a leading producer of potash in Canpotex, PotashCorp also leads the way with production costs of approximately $100 per tonne, giving it an edge over its competitors in the domestic market.

Agrium Inc.

Agrium Inc. is a major retail supplier of agricultural products and services in North America, South America and Australia. It is a leading global wholesale producer and marketer of all three major agricultural nutrients, and it is the premier supplier of specialty fertilizers in North America. Agrium’s strategy is to provide the crop inputs and services needed to feed a growing world. Headquartered in Calgary, Canada, Agrium employed approximately 14,500 people. Agrium is listed on both the Toronto and New York Stock Exchanges. Agrium is a relatively small contributor to Canpotex and was responsible for 9 per cent of Canpotex’s export volumes. Due to Agrium’s diversified portfolio, potash is responsible for just 3.7 per cent of its overall revenue.
Agrium’s wholesale business unit manufactures, purchases and markets a full range of nutrients including nitrogen-based, potash and phosphate-based crop nutrient products. The unit owns and operates a potash mine and production facility at Vanscoy, Saskatchewan, Canada with a current nameplate capacity of just over two million tonnes annually. Potash production costs for Agrium are approximately $110 per tonne.

The Mosaic Company

The Mosaic Company (Mosaic) is a Minnesota-based firm and the world’s largest combined producer of potash and phosphates. Potash is responsible for 29.4 per cent of Mosaic’s revenue. As a member of Canpotex, it is responsible for 37 per cent of potash export volumes and employed 8,400 people. Formed in 2004, Mosaic currently trades on the New York Stock Exchange. Mosaic has 10.4 million tonnes of annual potash capacity across five mines and is expected to grow to 15 million tonnes by 2021. Mosaic operates five potash mines including the world’s largest in Esterhazy, Saskatchewan. Mosaic’s position as a leading combined producer of phosphate and potash products provides it with a competitive edge and enhances its brand image.

Mosaic has a geographically diversified revenue base which includes the United States, India, Brazil, China and other developed markets such as Canada, Australia and Japan. Thus, it has protected its business from demand fluctuations in a particular region. However, Mosaic is a relatively high-cost producer with potash production costs up to $135 per tonne.

Joint Stock Company (JSC) Belarussian Potash Company (BPC)

BPC was established and headquarted in Minsk, Belarus in April 2005 by major Eastern European producers Belaruskali and Uralkali, with the objective to fully satisfy the demand for mineral fertilizers, optimize the export delivery structure and preserve stability in the global fertilizers market. BPC exported about 13.5 million tonnes of potash, drawing in a revenue of $5.6 billion and carving out a market share of 43 per cent in the global potash market.

The BPC cartel strictly exists to export potash outside of domestic markets — Belarus, Russia and other nations that are grouped together as the Former Soviet Union (FSU). About the time that BPC was formed, potash prices escalated globally, especially in North America where they had lagged behind international prices. For the first time since 1987/88, the North American and international potash prices converged.

JSC Uralkali (Uralkali) — the Russian Federation

JSC Uralkali (Uralkali) is a Russian group engaged in the extraction, production and sale of potash. The group operates through a portfolio of five mines, seven ore-treatment mills and a sodium chloride plant. Uralkali has a nameplate production capacity of 13 million tonnes of potash. The group markets its products in Brazil, India, China, Southeast Asia, Russia, the United States and Europe. It owns the Baltic Bulk Terminal (in St. Petersburg, Russia) and operates a fleet of 8,000 railcars. Uralkali’s geographic positioning makes it the only exporter of potash to China by rail, which allows it to reach spot markets in short timeframes. Uralkali sold 2.2 million tonnes of potash domestically and exported 7.1 million tonnes in 2012, drawing in $2.9 billion in revenue. The group employed more than 21,000 people. Uralkali’s production costs of $60 per tonne puts it at an advantage over its Canpotex competitors.
ISC Belaruskali (Belaruskali) — the Republic of Belarus

Belaruskali was founded in 1970 and is based in Soligorsk, Belarus. Belaruskali employed 20,000 people and produced 15 per cent of the global demand for potash. The company owns and operates four mines. It provides its products in Europe, East Asia, the Mediterranean, South Africa, India, China, and South and North America. Compared to Uralkali, Belaruskali is a formidable player in the potash industry. It sold two million tonnes of potash domestically and, as part of BPC, exported 6.4 million tonnes of potash in 2012, earning $2.7 billion in revenue. Priding itself on production efficiency, Belaruskali boasts one of the lowest production costs of $60 per tonne, which is in line with Uralkali.26

A NEW PLAYER — BHP BILLITON LIMITED (BHP)

BHP is the world’s largest mining company. It operated in nine diversified natural resources segments: petroleum, aluminium, base metals, diamonds and specialty products, stainless steel materials, iron ore, manganese, metallurgical coal, and energy coal.27 BHP is headquartered in Melbourne, Australia and employed more than 49,500 employees globally. At its peak, BHP was the world’s largest company by market capitalization in February 2011.28

BHP decided to enter potash production in 2010 by acquiring Saskatchewan’s Athabasca Potash for $320 million. In a surprising turn of events, BHP attempted a hostile takeover of PotashCorp with a bid worth $40 billion in August 2010. This acquisition attempt marked a major strategic move by BHP outside hard commodities and commenced the diversification of its business away from resources with high exposure to carbon price risk. One of the major points of contention was that BHP had no interest in joining Canpotex as part of the takeover. Subsequently, Canadian Industry Minister Tony Clement announced a preliminary rejection of the deal under the Investment Canada Act. BHP dropped its offer on November 14, 2010.29

As a result of these events, BHP chose a greenfield strategy with project Jansen to enter the global potash industry with a formidable force. At an estimated $15 billion for 8 million tonnes nameplate capacity, Jansen is one of the largest and highest-cost greenfield mines under development. Jansen’s high-grade resource base is located about 1,000 metres below surface with about 200 metres of aquifers located between the surface and the deposit. This requires an extensive process to freeze the ground, drill the shafts, and line the shafts with steel to protect against potential water inflow.30 Upon going live, costs of production (not including freight to port) are estimated to be $80 to $90 per tonne for 10 years, which is lower than all members of Canpotex.31 However, it is unlikely that the mine will operate at full capacity upon completion due to a multitude of factors including demand and pricing strategy. From a global standpoint, Jansen would place BHP as a top five potash producer in the world. See Exhibit 1 to gain a comparative perspective on these production levels.

URALKALI ANNOUNCEMENT

On July 30, 2013, Uralkali announced that it would exit the BPC cartel and ramp up production to full capacity. Uralkali did so after accusing partner Belaruskali of selling potash outside of their agreement. This announcement sent shockwaves across the global industry with some analysts predicting that potash prices would drop by up to 25 per cent to $300 per tonne. The company, which boasts having the lowest production costs of any producer, expects global demand to reach a decade high between 58 and 60 million tonnes in 2014. See Exhibit 5 to view the actual press release.
The aftermath of the Uralkali decision took a devastating toll on the fertilizer sector and was well-reflected in the stock market (Exhibit 6). The breakup of the cartel signified an end to the price-over-volume strategy that had been in place for the global export market. Analysts expected demand to dampen as buyers elected to sit on the sidelines in anticipation of lower prices. Offshore shipments from the North American producers were expected to fall drastically. Additionally, China intended to acquire a 12.5 per cent stake in Uralkali through convertible bonds, a move designed to secure supplies of potash. In an interview shortly following the announcement, Uralkali’s Chief Executive Vladislav Baumgartner commented:

Most of the greenfield project owners will review their economics and would be forced to close them, writing off their investments. Otherwise, the losses will go up ... other expansion projects will be postponed. But this will still be a breakthrough: basically we will raise our production by 30 to 40 per cent. This will help to compensate the revenue reduction from the falling price.32

To complicate matters, Belarus arrested Baumgartner on August 26, 2013, further reducing the probability of reconciliation between the two potash producers.33 The Russians reacted sharply to this announcement. Moscow ordered Russian oil supplies to landlocked Belarus to be cut by a quarter — a significant hit to a country where refineries primarily depend on Russian crude.34 Prior to these colourful political events, there was a feeling that the BPC breakup was a feint designed to discourage BHP from entering the market with the Jansen potash project. As such, Uralkali kept the door open to future cooperation. However, BHP showed no immediate signs of backing down on their investment strategy and the diplomatic bust-up caused by these tit-for-tat events meant the producers’ rift could be permanent.

**COMPETITIVE STRATEGY**

Upon the BPC cartel breakup, Agrium’s stock price slumped by 5.4 per cent, which was far less than its closest competitors at a whopping 20 to 25 per cent drop.35 With potash prices under pressure, Agrium pondered over the future of the industry and their role in Canpotex. The cartel was under fire from BHP and, being a small player, they were not enthused about BHP entering the market.

Richard Downey, spokesperson for Agrium said, “Comments made by the Russian producers have clearly created uncertainty in the potash market. However, this is not the first time that Russian producers have had disagreements. It is important not to overreact to a single statement from one player in the industry, and we plan to continue with the normal course of operations.” He went on to say, “Agrium’s diversity provides for a strong earnings base across the crop input value chain which reduces the risk on any one particular product.”36 At the company’s investor day in New York, Wilson commented on “the soap opera in Russia” claiming, “I don’t know how it’s going to play out.”37

Wilson faced a tough decision: should Agrium continue its expansion at the Vanscoy mine in Saskatchewan? Would the drop in potash prices be offset by increased demand? Agrium would have to consider that expanding the Vanscoy facility would cost $1.7 billion, although 40 per cent of it was already completed, representing $680 million in sunk cost. Additionally, with BHP entering the market, should Agrium slash production levels to accommodate the new market entrant and ensure stable pricing? Alternatively, should they engage in a price war with a volume-over-price strategy, making it harder for BHP to steal market share?
EXHIBIT 1: COMPARATIVE OCEAN FREIGHT SAILING DAYS

When exporting potash outside continental boundaries, the export cartels rely on ocean freight as the primary means of transportation. However, when customers are located within continental boundaries, there are rail lines that allow for much faster transportation. These conditions can create a tremendous competitive advantage.

Note that only PotashCorp has access to the east coast port at St. John, New Brunswick.

<table>
<thead>
<tr>
<th>Entity</th>
<th>Port</th>
<th>China</th>
<th>India</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canpotex</td>
<td>Vancouver</td>
<td>17</td>
<td>30</td>
<td>28</td>
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<tr>
<td>Canpotex</td>
<td>St. John</td>
<td>35</td>
<td>26</td>
<td>16</td>
</tr>
<tr>
<td>BPC</td>
<td>Russia</td>
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<td>23</td>
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<td>Israel</td>
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</tr>
<tr>
<td>Germany</td>
<td>Germany</td>
<td>37</td>
<td>22</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: http://www.potashcorp.com/industry_overview/2011/nutrients/10/
EXHIBIT 2: GLOBAL POTASH RESERVES PRODUCTION AND DEMAND

World Potash Reserves

Source: http://www.potashcorp.com/overview/nutrients/potash/overview/reserves

World Potash Production & Demand

Source: http://www.potashcorp.com/overview/nutrients/potash/overview/global-market-overview
EXHIBIT 2: (CONTINUED)

World Potash Fertilizer Consumption Growth

Percent Annualized Growth (2002-2012)

Source: http://www.potashcorp.com/overview/nutrients/potash/overiew/historical-demand-growth

World Fertilizer Consumption by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
<th>Population Growth Rate</th>
<th>Fertilizer Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States &amp; Canada</td>
<td>350M</td>
<td>0.80%</td>
<td>13%</td>
</tr>
<tr>
<td>Latin America</td>
<td>600M</td>
<td>0.83%</td>
<td>11%</td>
</tr>
<tr>
<td>India</td>
<td>1.2B</td>
<td>1.28%</td>
<td>16%</td>
</tr>
<tr>
<td>China</td>
<td>1.4B</td>
<td>0.46%</td>
<td>30%</td>
</tr>
<tr>
<td>Other</td>
<td>1.6B</td>
<td>1.07%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: CIA World Factbook
EXHIBIT 3: GLOBAL POTASH PRODUCTION

Arab Potash Co. (Jordan) 2M tonnes
Dead Sea Works (Israel) 3.6M tonnes
China - 3.5M tonnes
Germany: K+S 6.1M tonnes

Players who produced less than 1M tonnes: Intrepid (USA), Compass (USA) SQM (Chile), Iberpotash (Spain), Cleveland Potash (England), Vale (Brazil)

Source: Case writer.

Global Potash Industry Production Levels 2012

BPC 17.7M tonnes
Uralkali 9.3M tonnes
Belaruskali 8.4M tonnes
PotashCorp 7.2M tonnes
Canpotex 15.1M tonnes
Mosaic 6.6M tonnes
BHP Jensen: Potential capacity of 8M tonnes, but expected to run at 50% capacity at launch
Agrium 1.3M tonnes

EXHIBIT 4: GLOBAL SPOT POTASH PRICES

$1000
$800
$600
$400
$200
$0


Source: Index Mundi
EXHIBIT 5: URALKALI PRESS RELEASE

July 30, 2013

Following the meeting on 29 July 2013, the Board of Directors of Uralkali (LSE: URKA; the Company), one of the world’s largest potash producers, has made the following decisions.

The Board has decided to stop Uralkali’s export sales through Belarusian Potash Company (BPC) and direct all export volumes through Uralkali Trading.

Vladislav Baumgertner, Uralkali CEO, commented:
"Unfortunately, we should state that our cooperation with our Belarusian partners within BPC framework has come to a deadlock. It has always been Uralkali’s position that export activities of both producers should go through the unified sales network. This fundamental principle of partnership was violated by the Decree No. 566 issued by the Belarusian President on 22 December 2012, which cancelled the exclusive right of BPC to export Belarusian potash. Following the issue of the Decree, Belaruskali has made a number of deliveries outside BPC.

We have repeatedly informed our Belarusian partners that such actions were unacceptable and they have ultimately destroyed the fundamentals of our prolonged fruitful cooperation. In this situation we have to redirect our export deliveries through our own trader.

Still, we thank our Belarusian partners for cooperation within the BPC framework and do not exclude the possibility of cooperation on a mutually beneficial basis in future.”

Uralkali (www.uralkali.com) is one of the world’s largest potash producers with a share of about 20% of global potash production. The Company’s assets consist of 5 mines and 7 ore-treatment mills situated in the towns of Berezniki and Solikamsk (Perm Territory, Russia). Uralkali employs ca. 11,800 people (in the main production unit). Uralkali’s shares and GDRs are traded on the Moscow Exchange and LSE, respectively.

Source: www.uralkali.com/press_center/company_news/item300713/
EXHIBIT 6: STOCK CHARTS FOR JULY 2013

POT – PotashCorp
Jul 31, 2013 Price: 30.00 Vol: 68.67m

AGU – Agrium Inc.
Jul 31, 2013 Price: 85.00 Vol: 03.33m

ASX:BHP – BHP Billiton Limited
Jul 31, 2013 Price: 34.64 Vol: 0

OSPTX – S&P/TSX Composite Index
Jul 31, 2013 Price: 12486.64

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ENDNOTES

1 All currencies in US$ unless otherwise stated.
26 Ibid.
31 Ibid.
34 Ibid.