

Fall Semester 2008
Asset Valuation and Business Strategy BUS 485

Professor:	Deborah N. Pittman	John M. Planchon
OFFICE:	329A Buckman	322 Buckman
PHONE:	843-3405; 767-1920 (home)	843-3922; 756-0135 (home)
OFFICE HOURS:	1:00– 2:00 Tues/Thurs 5:00 – 6:00 Tues Thurs Other times by appointment	MW 2-4 and by appointment.
Text:	Cases from the Darden School of Business at the University of Virginia and from Harvard Business School. <i>Competition Demystified</i> by Greenwald and Kahn, and <i>Blue Ocean Strategy</i> by Kim and Mauborgne.	
Required	Financial Calculator and <i>Wall Street Journal</i>	
Suggested	Popular business publications	

Course Perspective

This course should be intellectually challenging and, if you like a good challenge, fun! If you are working as hard as you should in BUS 485, at times you will feel challenged, lost, and probably a little peeved. However, as you progress through the course, you will increasingly experience a sense of accomplishment when you meet the challenge of completing a homework assignment or preparing and presenting a complex case. You should experience in this course flashes of enlightenment—moments when theories, principles and practices come together in a well-structured competitive strategy. We hope these flashes will be even more intense because you will see the interrelationships between finance and marketing strategies: Good decisions in one area can be totally subverted by poor decisions in the other, and determining good strategies for both areas (what's best for the firm) will be the challenge of this course. You will, we hope, experience the joy and frustration of working with colleagues on cases. If you are an active participant, BUS 485 will be an exciting journey for you and for your classmates. However, if you choose not to be actively involved in the course, the experience will be a forced march for you and an experience to be endured by your classmates who must be in class with you.

Course Objectives:

In this course, we'll apply many of the theories examined in Marketing Management 371 and Financial Management 351 in order to understand and to explain marketplace phenomena. The primary methods for attaining understanding and ability to explain and predict business phenomena will be homework assignments, case analyses, student presentations, and discussions. There are several course objectives we hope to attain.

1. To gain insight into how financial and marketing decisions are interrelated and how careful analyses should lead to more integrated decision making with better results for the firm.

2. To gain insight into how financial theory is relevant to actual business situations through practice. There is an orientation beyond mere description and analysis, toward normative thinking and decision-making, as well as growth in judgment. The underlying focus throughout the course will be on valuation modeling and economic analysis as a foundation for corporate financial decision-making.
3. Through case analyses, attain a more thorough understanding of selected concepts, theories and principles we examined in BUS 371 and to add others as they relate to a firm's strategy. The underlying focus will be upon making strategic decisions to create and/or sustain competitive advantage.
4. To acquire proficiency in analytical techniques needed to make financial decisions. Cases explore the application of finance tools and concepts in an imperfect world where information is noisy, behavior is not always rational, and outcomes are unpredictable.
5. Develop skills necessary to analyze critically strategic situations and to frame well informed strategies based upon our analyses.
6. Develop skills necessary to present the results of our analyses as well as our recommendations in writing and orally.
7. Develop skills necessary to examine, question, and discuss others' analyses.
8. Develop skills of working with others to attain a common goal. Much decision-making in business is accomplished in a group environment, and team members must learn to advance their ideas in a cooperative manner.
9. To gain an awareness and understanding of more recent financial and marketing trends and innovations.

Course Structure:

Cases: Asset Valuation and Business Strategy (BUS 485) draws very heavily upon case studies to accomplish the objectives presented above. Cases present the frustrating opportunity for students to put **all of their finance, marketing, accounting, management, and economics** knowledge to work in solving strategic finance-marketing management problems. Usually, you will find it relatively easy to identify the general strategic area covered by the case. However, before recommending a solution to the issues presented in the case, you must determine which information presented in the case is relevant. Then, you must thoroughly examine that information. Sometimes, one is lulled into "treating the symptom rather than the disease" presented in a case. Using cases also allows us to cover many different aspects of finance and marketing. Finally, the use of cases also means that students must develop their analytical and communication skills by drawing, stating, and defending their conclusions as well as analyzing and questioning others' conclusions.

Cases will be worked on in small groups, and there will be variety in delivery of the cases to enliven student participation and learning. Some cases will involve standard case discussions lead by the professor, with students expressing their opinions, demonstrating their analyses done outside of class, and questioning the analyses of other groups. However, in one case teams will negotiate with each other. Some cases will be number-crunching problems, some will involve interpretation and the exercise of managerial judgment, and some will involve both. Some cases will be more difficult than others.

Seven cases will be formal, written cases prepared by each team, and presented orally by teams as specified in the syllabus. (See section on grading.) When a group makes an oral presentation, the group's overall grade for that case will take into consideration both the oral and written components.

Lectures: There will be lectures as well. The lectures will generally address financial or strategic topics not covered in depth in Corporate Finance or Marketing Management I, but we will spend some time reviewing certain material before going into more depth.

Teamwork: Students will form groups on September 9. Groups will meet regularly outside of class to prepare the upcoming cases and/or discuss assigned reading. Your professors have prepared a list of questions for groups to use in preparing each case. These questions are in both Professor Pittman's and Professor Planchon's public folder located in the folder for BUS 485. The questions are not exhaustive of the issues found in the case; however they will give you direction and provide a good beginning place for your work. **Each student** should come to group meetings prepared to discuss the group's answers to case questions in particular as well as other issues of the case brought up in class. Each team will also be required to complete three written case presentations that are also presented orally, and turn in a written case analysis for each of the remaining four cases. (Please see grading section.) The formal write-ups should never exceed five 1.5 spaced typewritten pages (12 pt. Times Roman with 1-inch margins) plus exhibits. Formal written presentations will be graded primarily on thoroughness of analyses, clarity of expression, knowledge of the facts of the case, and the ability to follow directions, i.e. **an emphasis on the analytical process and the ability to draw on correct theories.** Each team, whether presenting or not, should come to class prepared to present its written results and to share its spreadsheet analyses.

Topics: We will cover the following topics: Evaluation of Corporate Performance, Forecasting, Cost of Capital, Capital Budgeting, Debt Management, Mergers, Corporate Financial Strategy, Valuation of the Firm, Pricing, Distribution, Competitive Advantage, Creating Consumer Value, Industry Structure and Strategy, Market Segmentation, Targeting and Positioning, Brand Management, and Services. There will be other topics that arise naturally from cases and readings as we progress through the course.

Homework Assignments: Homework assignments will help the student prepare for the formal grading opportunities. Some are reading assignments, and some require preparing spreadsheets or written answers. They will be taken up and read in order to ascertain what areas need additional explanation and what effort is being made. These homework assignments will be used in determining a part of each student's class contribution grade. Other individual participation grades come from each student's daily participation in class discussions. Homework assignments will help to prepare you for the tests and for the formal case work.

Mid-term and Final: During the semester, there will be two tests which will permit the student to demonstrate that the first two objectives of the course have been met. All work on these exams is to be the student's alone and will be pledged.

Student Responsibility: Because of the interactive nature of this course success depends to a great extent upon how well prepared students are for each class meeting.

1. You must prepare each assignment before class. This is particularly important since so much time will be spent presenting and discussing cases. Do not waste your colleagues' time by trying to discuss a case you have not prepared carefully. Don't confuse merely reading a case with preparing it for class discussion.
2. You must attend class regularly and be prepared to make significant contributions to our discussions of cases and other assignments. **There are no excused absences for this course. If you are not present, you cannot discharge your responsibility of contributing to discussion and learning in the course.** Please note that 15% of your grade is earned by contributing to class discussion. Also, note that we have scheduled ample time to discuss each case. Much of that time is student "property." Each of you is expected to question and discuss in detail the case assigned for that day. If you wish to use only 25% of your time, you should remember that you earn the class contribution portion of your grade by contributing to the class. After student presentation and discussion, the professors might want to elicit some points of the case for more detailed discussion and will call upon students for specific analyses and recommendations. It is from this give and take in discussion and questioning that you will earn a significant portion of the 15% class contribution portion of your grade. Moreover, it is from this give and take discussion that you will develop and hone your business knowledge and skills as well as your knowledge and skill about "how" to discuss and to be an advocate. Simply put, if you aren't in class, you can neither learn nor earn!
3. Individually, you must make sure that you schedule an appointment with your teacher when you feel you are having problems meeting the requirements of this course. As a study group, you must schedule a meeting with your professors to discuss the case you are preparing; for example you would be meeting with professors Pittman and Planchon on Wednesday, September 24th, to discuss Matching Dell that is due on Thursday, October 2. We have scheduled Wednesdays from 1:00 -2:30 p.m. for these meetings.
4. Class discussions in BUS 485 will sometimes become very, to use a fairly neutral word, animated. Lively discussion is a goal for this course. Given the benefits of discussion mentioned earlier and the fact that students should have invested a tremendous amount of effort into preparing their case analyses, a lively discussion is both expected and desired. **HOWEVER, disrespect for one's colleagues will not be tolerated in this course!**

Honor Code:

All casework, exams, and homework are covered by the honor code.

1. It will be considered an Honor Council offense to use notes or other materials from students who took this course in prior earlier.

2. When turning in homework and formal case write-ups, your pledge indicates the following:

“We pledge that each member signing below shared in the preparation of this case equally, we consulted with no one outside our group, and we used no information from previous semesters. We neither gave nor received aid in our case preparation.”

3. When turning in your exams (midterm and final) you will pledge that all work on the exam is yours alone—that you neither gave nor received aid on the exam.

Grading and Evaluation

Course grades are earned according to the following scheme. (You will earn one grade for these integrated courses.)

A	94 – 100	C	74 - 76
A-	90 - 93	C-	70 - 73
B+	87 - 89	D+	67 - 69
B	84 - 86	D	64 - 66
B-	80 - 83	D-	60 - 63
C+	77 - 79	F	below 60

A weighted course average will be calculated using the following weights for the course components.

Four formal written case analyses @ 5%	20% ¹
Three written cases presented formally to the class	
first 5% second case 10 third case 15% ..	30% ²
Contribution to class meetings.....	15%
Midterm exam.	5%
Final exam.....	15%
Homework assignments.....	15%

All cases, unless otherwise noted are to be pledged as a group effort to which all members of the group contributed equally. Each student in the group will earn the same grade for the case. The formal presentations will entail using a power point presentation. A hard copy of the power point should be turned in with the case. **ALL** written cases must be turned in before the beginning of class—no exceptions.

² These cases that are presented will have a formal written analysis that must be turned in. The cases will be pledged as the work of the group, and all students in the group will receive the same grade for the case.