

STRATEGIC MANAGEMENT FOR SUSTAINABILITY

Course code	<i>GRAB017</i>
Course title	<i>STRATEGIC MANAGEMENT FOR SUSTAINABILITY</i>
Type of course	<i>Compulsory</i>
Stage of study	<i>Graduate</i>
ECTS	<i>6; 16 hours of theory and 16 hours of practice in classroom, 128 hours of self-study</i>
Coordinating lecturer	<i>Benas Adomavičius, e-mail: benado@ism.lt</i>
Study form	<i>Full time</i>
Course prerequisites	<i>Undergraduate diploma</i>
Language of instruction	<i>English/Lithuanian</i>

Course description

Strategic management is critical for business success. This course focuses on identifying, setting, and pursuing long-term goals to effectively allocate limited resources in the context of sustainability. It emphasizes not only the company's competitive position in the market but also the myriad of internal and external challenges that management must skillfully navigate.

The essence of strategic work lies in understanding these factors and transforming them into assets rather than obstacles. This course delves into strategic management concepts and techniques, providing participants with the skills to conduct environmental and market analyses, comprehend major strategic issues, and formulate robust business strategies and tactics while focused on making business more sustainable. During this course, participants not only learn about theoretical concepts but experience first-hand issues of managing a business while addressing sustainability issues in a competitive landscape via simulation.

The focus of this course is on gaining experience of what it takes to run a profitable and conscious business. Via a computer simulation, we will place you into a very realistic international business setting where you will start up and run a company for two years (eight rounds of decision-making).

Simulation lets students build an entrepreneurial firm, experiment with strategies, and compete with other students in a virtual business world. Designed to mimic the competitive, ever-changing marketplace, the simulation lets students gain experience in market analysis, strategy formulation, and the management of a new venture. There are three goals that this simulation will help to accomplish:

1. Experience the benefits and challenges of operating a conscious business in contrast to the traditional profit-maximizing business paradigm.
2. Consider all of a firm's stakeholders, including customers, stockholders, employees, suppliers, and the community.
3. Deal with ethical, environmental, and sustainability issues in addition to the normal management challenges of running a business.

Course aim

Students are going to discover knowledge and apply skills enabling them to help organizations to meet and manage significant threats and challenges in the context of sustainability. Students will learn how to analyze environment and company's resources, generate strategic alternatives and select the most appropriate strategy for particular circumstances.

Students will learn and apply provide students the fundamental knowledge of strategic management concepts and techniques; to enable students to identify the key problem in complex, comprehensive situation. The major responsibility of students in this course to make objective strategic decisions and present well-supported recommendations for future action while justifying them through oral and written communication.

Course learning outcomes (CLO)	Study methods	Assessment methods
CLO1. To explore how companies can address sustainability challenges while simultaneously building a successful business.	Lectures and study of course textbook and articles	Examination, assessment of simulation results.
CLO2. To challenge incrementalism in company's sustainability actions and to develop mental models for the different levels of impactful sustainability innovation.	Lectures, readings, self-study, in class discussions	Exam
CLO3. To develop ability to see relationships among multiple, often conflicting, issues in supporting the necessary transition towards a sustainable economy.	Lectures, readings, self-study, in class discussions	Exam
CLO4. To appreciate key managerial mindset differences for traditional and sustainable business strategies.	Lectures, readings, self-study, in class discussions	Exam
CLO5. To sharpen critical analysis and communication abilities, especially in the context of complex and systemic issues, and apply systems thinking to real-world business problems.	Marketplace simulation, presentations of strategy and simulation results	Evaluation of presentations.
CLO6. To expand general understanding of the complex decisions faced by managers in business, government, and non-profit organizations.	Lectures, readings, self-study, in class discussions	Simulation performance
CLO7. To be challenged to clarify your own values and opinions on issues related to sustainability and be able to develop business case for sustainability.	Lectures, readings, self-study, in class discussions	Exam
CLO8. To develop critical thinking and problem-solving skills in a team project	In class discussions of managerial issues, in-group discussions about business decisions in marketplace simulation	Results of marketplace simulation adjusted by peer feedback.

Quality assurance issues

The quality of the course is assured by the variety of teaching and learning methods (combination of lectures, discussions, in-class activities, case analysis, and student presentations), interim knowledge assessment, continuous discussions of individual and group work, case analysis report results, and other assignment results.

Course schedule and topics

Date	Topic	Class hours		Readings
		Theory	Practice	
November 13 th	Introduction to course Core strategic management for sustainability concepts – part I	4	0	Read the readings

Date	Topic	Class hours		Readings
		Theory	Practice	
18:00 – 21:15				posted in e-learning site
November 14 th 18:00 – 21:15	Core strategic management for sustainability concepts – part II Setting long term direction of an enterprise: Mission, vision and values	2	2	Read the readings posted in e-learning site
November 18 th 18:00 – 21:15	MARKETPLACE SIMULATION: Introduction to marketplace business simulation. Formation of student teams and student registration for the simulation.	2	2	Simulation guide
November 20 th 18:00 – 21:15	Summary of situation analysis – SWOT Defining Strategic Business Unit OSA framework	2	2	Read the readings posted in e-learning site
November 21 st 18:00 – 21:15	Core concepts: Measuring competitive advantage and company performance in era of sustainability Models for competitive advantage: M. Porter: Generic strategies.	2	2	Read the readings posted in e-learning site
November 25 th 18:00 – 21:15	Models for business strategy: C. Bowman - Strategy clock. M. Treacy and F. Wiersema - Value disciplines W.Chan Kim and R. Mauborgne - Strategic value innovation. T. Hahn – Sustainable business strategies	2	2	Read the readings posted in e-learning site
November 27 th 18:00 – 21:15	Strategic innovation. First mover advantage. Innovation diffusion. Customer value and product innovation.	2	2	Read the readings posted in e-learning site
ONLINE VIDEO	MARKETPLACE SIMULATION: How to prepare business plan.	-	-	Read the readings posted in e-learning site
December 10 th 18:00 – 21:15	MARKETPLACE SIMULATION: Teams present business plans for Q5-Q8. (25 min each team)	2	2	-
2025 January 22 nd 18:00 – 21:15	MARKETPLACE SIMULATION: Presentation of simulation results: Report to the board of directors	0	4	-

Self study and assessment

TYPE OF ASSIGNMENT	HOURS	EVALUATION, %
Marketplace simulation – each student ¹ in the course will be a member of a group, which will be managing a virtual company in a global marketplace, competing with other teams in the course. Marketplace evaluation will consist of 3 separate grades for: <ul style="list-style-type: none"> • Business plan presentation • Final report to the board of directors • Team simulation performance 	64	15%
		15%
		20%
Final exam will consist of several multiple-choice and open-ended questions. Exam will focus on checking understanding of terms, practical application of skills and knowledge learned in this course.	64	50%
Final	128	100

Marketplace simulation game

This course will employ the Marketplace simulation as a learning environment. The exercise is a transformational experience. You will learn what it's like to compete in the fast-paced, competitive market where customers are demanding, and the competition is working hard to take away your business.

In the Marketplace, you start up and run your company, struggling with business fundamentals and the interplay between marketing, distribution, operations, finance, and accounting. You are given control of a simulated business and must manage its operations through several decision cycles. Repeatedly, you must analyze the situation, plan a business strategy to improve it and then execute that strategy out into the future while progressing on sustainability issues. You face uncertainty from the outside environment and your decisions. Incrementally, you learn to skillfully adjust your strategy as you discover the nature of your real-life decisions, including the available options, linkages to other parts of the business, conflicts, tradeoffs and potential outcomes.

Marketplace grade calculation

Your marketplace grade will consist of:

1. **Business plan presentation** - 15% of the course grade.
2. **Report to the board of directors presentation** - 15% of the course grade.
3. **Team simulation performance** - 20% of the course grade. A cumulative balanced scorecard for quarters 5 through 8 will be used to judge the success of each firm. A team's grade will be determined by its relative ranking on the CBSC compared to the other firms in its industry. In the game, teams of the students (as business companies) will be automatically rated by a balanced scorecard composed of various business factors that are fully explained in the game manual online. The winning team will be graded 10, the runner-up will get 9, third placed – 8, and other teams accordingly 7, 6 and 5. Teams whose companies are bankrupt and don't show effort in trying to turn the situation around will get a failing grade. Grades can be adjusted by instructor based on the final score of the balanced scorecard, participation and knowledge shown during the game review seminars.

Each team will deliver an oral presentation for the Business Plan and the Report to the Board of Directors. The team will be expected to make a business **professional presentation** (including attire) using an assortment of

¹ Former ISM bachelor students who have participated in a marketplace simulation will have a separate project, which is equivalent in weight and importance to simulation.

visual aids. Moreover, the details of the market analyses and strategy must be carefully laid out in appropriate handouts. There is no written Business Plan or Report to the Board. The dress code is business professional.

Guidelines for the preparation of the business plan and the final report will be posted on elearning.ism.it. Rubrics that explain the evaluation process will be posted there as well.

Peer Evaluations

A peer evaluation will be completed for each person on the team. Significant deviation in performance above or below the **norm will be used to adjust** individual student grades for the activity being evaluated (adjustment table is provided below). That is, your grade on the Business Plan, Report to the Board and Simulation performance could be adjusted up or down depending upon the feedback the instructor receives from the rest of the team on your input on team's performance.

Average Score on Peer Evaluation	Grade point adjustments
3.75 and more	0.0
3.25 to 3.74	-1.0
3.24 to 2.75	-2.0
2.74 to 2.25	-3.0
< 2.25	-4.0

You Can Be Fired

It is permissible to fire a team member who is not making a substantive contribution to the success of the team. Missed meetings, poor preparation, failure to complete assignments, etc. are all indicative of underperformance. Before a person can be fired, the team must give the student an opportunity to correct his or her deficiencies.

The team must provide the student with a written statement of the problems associated with his or her work. A peer evaluation may be used in conjunction with this statement.

When an individual receives a poor performance report, the student must respond in writing as to how he or she will correct the problems cited. A reasonable time should be given to correct problems cited. If the problems continue, the team may fire the underperforming team member with a letter of dismissal. A copy of all correspondence must be submitted to the instructor for approval.

A person who is fired will be assigned to compete in another simulation where the student is responsible for all the firm's activities, including weekly decisions and executive briefings and the preparation of a Business Plan and Report to the Board. This new simulation will begin in Quarter 1 and continue through the quarter 8.

Being fired will also limit the student's maximum potential grade by two grades. Specifically, 20 % of the grade will be deducted from the student's final point score for all completed assignments. Thus, if the student earned a final score of 90 out of 100%, then the adjusted final score would be 70%. The final grade would be based upon the adjusted final score.

The same conditions will be applied if a person quits a team.

Sequence of simulation activities

Quarter 1: Organize team to do the job	<ul style="list-style-type: none"> Focus on process of working as a team to achieve goals <ul style="list-style-type: none"> assess team members' skills, personalities, & work styles, set organizational and personal goals, organize the work, determine how to manage the organization, establish leadership.
Quarter 2: Evaluate market opportunities, setup	<ul style="list-style-type: none"> Analyze market opportunities -- evaluate segments, geographic markets & potential competition

operations & prepare for test market	<ul style="list-style-type: none"> • Select target segments • Create customer value -- design initial brands for test market, match components to benefits desired (quality function deployment (QFD)), evaluate impact of different components on changeover costs & scale economies • Setup manufacturing operations -- evaluate financial tradeoffs, compare regional cost differences of labor and distribution on plant location, evaluate economy & liquidity of different capacity investments • Select test markets -- setup sales offices
Quarter 3: Go to market to test strategy and market assumptions	<ul style="list-style-type: none"> • Sales office management <ul style="list-style-type: none"> - Hire sales people—assign to segments - Set brand prices—price promotions - Set sales priority - Choose POP displays - Open new sales offices (Optional) • Advertising <ul style="list-style-type: none"> - Ad copy design - Media placement and ad frequency • Establish production plan for quarter <ul style="list-style-type: none"> - Forecast demand by brand - Set target and replenish points - Set daily production schedule for each brand • Budget market research • Sell common stock to executive team • Compute pro forma cash flow
Quarter 4: Evaluate test market performance and revise strategy, become a learning organization.	<ul style="list-style-type: none"> • Evaluate financial performance <ul style="list-style-type: none"> - Profitability analysis • Evaluate market performance <ul style="list-style-type: none"> - Customer opinion—brand designs, prices, advertising, and sales force - Market demand—by company and brand - Competitor tactics—segments targeted and selection of marketing tactics • Budget market research • Revise marketing tactics as needed, and continue test marketing <ul style="list-style-type: none"> - Brand designs - Brand prices, priority, and POP displays - Sales office locations - Sales force numbers and assignments - Advertising copy and media placement • Revise production decisions as needed <ul style="list-style-type: none"> - Fixed capacity - Scheduling options • Sell common stock to executive team • Compute pro forma cash flow
Quarter 5: Seek external funding—prepare business plan and negotiate equity investment.	<ul style="list-style-type: none"> • Evaluate financial performance <ul style="list-style-type: none"> - Profitability analysis • Evaluate market performance <ul style="list-style-type: none"> - Customer opinion—brand designs, prices, advertising, and sales force - Market demand—by company and brand - Competitor tactics—segments targeted and selection of marketing tactics • Develop two year business plan <ul style="list-style-type: none"> - Goals—marketing, financial and ownership - Marketing strategy - Manufacturing strategy - Financial strategy - Pro forma cash flows and financial statements - Size of equity request, number of shares offered, and share price • Present business plan to venture capitalists and negotiate equity investment • Invest in R&D for new technology • Begin global roll out of business plan
Quarter 6: Monitor, improve, and execute.	<ul style="list-style-type: none"> • Evaluate team—self-assessment of roles played, contributions made, and adjustments needed • Evaluate performance—financial, marketing, and competitive • Skillfully adjust strategy

	<ul style="list-style-type: none"> • Marketing—make incremental changes in tactics <ul style="list-style-type: none"> - Use activity based costing (ABC) to evaluate profitability of brands and sales offices - Conduct demand analysis to estimate brand, price, advertising, and sales force elasticity - Continuously improve brand features (R&D) • Manufacturing <ul style="list-style-type: none"> - Fixed capacity - Scheduling options • Compute pro forma cash flow
Quarters 7 & 8: Continue to monitor, improve, and execute.	<ul style="list-style-type: none"> • Manage strategy <ul style="list-style-type: none"> - Unanticipated competitive moves - Financial capability • Continuously improve brands <ul style="list-style-type: none"> - R&D - Pricing - Promotions - Sales force • Manufacturing <ul style="list-style-type: none"> - Fixed capacity - Scheduling options • Compute pro forma cash flow
Final Quarter: Report to the board.	<ul style="list-style-type: none"> • Report on operations since presentation of business plan <ul style="list-style-type: none"> - Market and financial performance - Valuation of the firm - Departures from plan, justification • Present plan for the future

END-SEMESTER INDIVIDUAL WRITTEN FINAL EXAM

End-semester individual written final exam is given to students to check upon the scope (theoretical and practical) of the course as a whole of the course. The exam will also include material covered during class sessions. Exam **will not** include any questions about marketplace simulation. The Exam will consist of multiple choice, crossword and open-ended questions. The accumulative weight of the Final Exam is 50%.

The final grading for the course is calculated according to the accumulative formula as indicated in the Guidelines for the Master Studies at ISM. Negative grades (below 5) are not included into the accumulative grading system.

The individual and group work evaluations are of accumulative origin with respect to the final evaluation taking into account only positive evaluations of each assignment. In case of negative final grade, student is allowed to retake final exam. The weight of the retake in the final grade is 50%. Other assignments cannot be retaken, but their evaluation is not annulled.

ADDITIONAL NOTES:

1. A student must score on all the assigned tasks by the lecturers (see Assessment Methods). No postponement and/or retake of the assigned tasks shall be allowed.
2. After receiving a failing final cumulative grade, a student can make one attempt to retake an exam. A re-take exam shall consist of all course material (excluding marketplace simulation) and will equal 50% of the final cumulative grade. Provided a retake exam is taken by a student, the acquired grades from written case analysis and marketplace simulation shall be calculated and weighted into the final cumulative grade for the course.
3. A student has no right to retake a final exam after he/she has received a passing final cumulative grade.

MAIN COURSE TEXTBOOK:

1. Regner, P., Angwin, D., Johnson, G., Scholes, K., Whittington, R. Exploring Strategy, 12th Edition, Pearson, 2020

2. Wunder T. Essentials of strategic management: Effective formulation and execution of strategy in the era of sustainability. 2nd edition. Schaffer Poeschel, 2023

OPTIONAL READINGS

Will be posted on course e-learning platform.