

Building & Driving Business Markets Strategy ("BDBMS")

Course Purpose

Build an accelerated, experiential, hands-on and "fun" learning experience of strategic leadership, decision-making processes and execution in the unique and complex of Business Market, commonly called "B2B".

The Unique Domain B2B

B2B is unique competitive because you compete for the business of clients who, in turn, compete for the business of their own potential downstream customers. Your success depends on the value you propose and deliver to these direct clients. They shall perceive this value as compelling if it allows them to outdo their own competitors. In other words, your strategy depends on understanding your direct clients' strategy and the competitive scenarios downstream, beyond.

The organizations we target in B2B are composed of a diversity of decision makers and stakeholders, who influence the decision of whether to purchase from us or not. We call it the Decision Making Unit ("DMU") concept. More specifically, our clients' decision-making processes may involve internal and external shareholders, like employees, alliance partners, other suppliers, strategic clients, external consultants, regulators, consumer advocates and labor unions. We must focus on our target organizations' decision processes following their formal structures and informal structures of power and influence. Hence, in addition to professional considerations, we must include personalities, personal preferences and biases of these "people", and our historical relationships with them compared to our competitors.

With this in mind, here is what we try to achieve in this course:

1. Build personal experiences of working with the B2B "tools and concepts" in a tough competitive environment.

I believe strongly in the case method, where we replicate the discussion that must have taken place in the subject company, prior to their actual decision, and learn from it. However, the case method has two major shortcomings. First, cases are "positioned" at specific points in a course, asking specific questions, and usually providing information for the answers. Even the best class discussion would come up short of replicating some of dynamics and pressures affecting the actual management team debate, which the case tries to capture, debate and the personal risks that these managers faced at the time.

Second, in "real life" we operate with messy or non-existent information. In real life "the problem" is something for us to define. In real life we work with odds, where our intuition, street-smarts and, yes, luck, play a major role. In real life the speed of decision-making is

crucial and our team dynamics issues have an impact on our decisions. Finally, in many situations, real-life is a zero-sum game, where the “other team” may be blessed with more talent, more cohesion and, perhaps, more luck.

2. Experience as life-like as possible

The next time you are in the comfort of your airplane seat, before takeoff, think about those in the cockpit in whose hands you place your life. You will be relieved to know that, in order to retain their commercial flight permits, your pilots are required to attend periodical simulation sessions. Each time your pilot “crashes” in such a training session, the damage may be his or her bruised ego but the benefit is a valuable learning experience they earned, for when they fly you to your destination.

So, in addition to traditional lectures and case discussions, the INDUSTRAT simulation, is included in this course, in order to make you face “consequences” of your own decisions. INDUSTRAT will place you in a “real-life like” competitive environment, allowing you to learn from the consequences of your own decisions and the processes you followed to make them.

3. Learn, first hand, how to build and capture value through the interaction among your major strategic challenges—choice of markets, pricing, technologies, product development, cost reduction, strategic alliances, salesforce, technical force and more.

Success rests not only on how strategic choices are made in each function, but also on how these choices, and their respective implementation, work together. This course will give you an opportunity to experience how the various functions in the company must be in sync. For example, you’ll experience how the choice of market segments affects technology choices and vice-versa. Or, you’ll find yourself in a firm that made choices resulting in a crisis, and where these choices cannot be undone. The questions you’ll face might be, “How should all functions work together? How do we turn the situation around? How do we “hedge” our luck the next time around and what information, which could be expensive to procure, do we need to make these decisions?”

Finally, since the success of a firm depends largely on its customers’ choices, we must discover, downstream, what the customers’ needs are, and even influence them. But, upstream, we must be ready by taking the risk of investing, making savvy technological choices, and committing to a competitive cost structure. Your upstream initiative may indeed influence your downstream customer base. For this reason this course is truly cross-functional in nature.

4. Experience the impact of leadership and team dynamics on business success.

In this course you will find your team working in a realistic and complex competitive business environment. Your team is composed of a diverse group of personalities, cultures, risk profiles and leadership styles. As in real life, the complexity of the situation, and the pressures resulting from it, will require the team to be both effective and efficient in its discussions and decisions.

The firm’s external and internal environments’ complexity, and pressures, are the reasons companies must deal not only with “content” but also “process”. Leadership, organizational structure and culture are the pillars of “process,” and in this course we give

you the opportunity to design your own team's process, diagnose how it works and "fix" it yourself. Our experience clearly shows that, as in real life, process factors into success in a big way, and we want you to benefit from trying to balance both process and content, simultaneously.

5. Have fun while learning

We now know for fact that learning is especially effective when we have fun. The setting of this course is one of competition between firms in the same industry, each managed by a team of participants, who compete by creating and capturing value from the same client base. The KPIs are the usual business indicators of sales, profit, stock price etc. As in real life, teams who manage to combine personal business talent and analytical tools are "winners". The ups and downs of competition over time, the sense of accomplishment when we make the right move, and feeling challenged when competition happens to make it, create a fun and dynamic team-learning environment.

The INDUSTRAT simulation

The central feature of this elective is INDUSTRAT. The simulation is used in top business schools and, internally, by major corporations (see www.industrat.com). It includes the complexities of products, technology, development, sales and technical forces, complex customer decision-making processes and the wider aspect of relationship with customers. INDUSTRAT allows you to compete with your own products and services but also form alliances with your competitors, through licenses and joint ventures. The simulation also gives you, through analysis, "street smarts" and negotiation skills, an opportunity to apply entrepreneurship and creativity.

In this realistic environment, you will draw on modern strategic marketing concepts and analytical tools of decision support systems, based on a rich base of market research. By combining theory, analysis and intuition, you will gain the experience of making strategic marketing decision that would otherwise take years to build.

INDUSTRAT is continuously evolving and you will have the opportunity to be exposed to a challenging environment that I shall design especially for this course. Your journey will take you through strategic debates within your team, analyzing "what happened last year" and "strategizing for next year and beyond".

We will integrate elements from lectures and case discussions into the simulation, giving you a full learning experience as individuals and as teams.

The rest of this syllabus will cover the following:

- (1) Content and Topics we shall cover
- (2) Abstracts of the cases we shall discuss
- (3) INDUSTRAT description
- (4) Pre-course preparation
- (5) Session schedule
- (6) Evaluation

(1) Content and Topics

In today's competitive environment, companies must generate value for their shareholders, having paid suppliers, employees, the government and lenders. The party that funds all this is the customers, who prefer buying from this firm, rather than from its competitors, at a competitive price that represents their perceived value. Management's role is to identify target customers and create competitively compelling value propositions for them. To this end, management needs to search and exploit technology and also do what it takes to generate sufficient cash to keep all "partners" happy in this "business model".

This process must be managed. If the firm does not keep shareholders happy, the latter will take their investment elsewhere. Also, if there is not enough to pay all stakeholders, in the long run, the firm, in its present form, may not survive. Strategic decisions here fall into two major categories: (1) making strategic choices on how to allocate the company's resources (cash, human resources, technology, channel power, etc.), i.e. what should be the offering, for which target customers, at what price and with what business model, and (2) implementing these choices successfully.

(2) Case Abstracts and Assignment Questions

The following is a tentative choice of cases (3 of them I have written), which we shall debate in class:

Fortis Industries (A)

Case Abstract:

Fortis Industries' packaging division manufactures steel and plastic strapping. In 2007, the company underwent a leveraged buyout. The case focuses on the packaging division's need to maintain high profitability in a declining market for steel strapping. Since 1998, Fortis has been losing 1% per year of the steel strapping market. Since then, there has also been significant erosion of prices. The division president is faced with 1) decreasing price to increase market share, or 2) maintain/increase cash flow. The specific decision revolves around the potential adoption of a price-flex system that is designed to authorize selective discounting by the division's sales personnel.

Assignment Questions:

1. Why is Fortis losing market share?
2. What is Fortis current marketing strategy?
3. What should be done about price and price flex?
4. How will the Fortis sales force, customers, competitors and investors react to these decisions?

Verbeek Packaging Worldwide: The Totpet Account (A)

Case Abstract:

The relationship of Verbeek's Industrial Packaging Division with Totpet, a major French oil company is seriously threatened. In the past, being the only worldwide supplier of steel drums had been a clear competitive advantage for Verbeek. While Verbeek had assured global customers consistent quality, proximity and continuity of supply, the sales relationship had been handled locally. However, more and more global clients, like Totpet, were re-engineering their purchasing operations to reduce the number of suppliers and form global relationships. With such changes, pressures naturally developed from clients'

headquarters to gain control on prices, which had historically been based on local competitive conditions and relationships. Is being a global supplier turning into a liability for Verbeek?

Assignment Questions:

1. How can you explain Verbeek's success?
2. How does the Totpet's Global Purchasing pressure fit with Verbeek's business model?
3. Why has Verbeek UK resisted the pressure?
4. What do you suggest that Johan Ten Cate, our "protagonist" do about it?

Nissan: the Hakone Pilot

Case Abstract:

Car Dealers in Japan are authorized by the government to act as inspectors in periodical road-worthiness tests. Recently, new chains of inspection specialists have emerged in Japan, cutting significantly into car dealers' share of inspecting their own brand vehicles. Moreover, repair and service sales, which clients had done traditionally as a result of the inspection or the dealer, have been affected too. Since dealer profitability is important to Nissan's success, the company initiates a drive to improve dealers' efficiency, advertising and promotion and marketing strategy. Part of the latter includes price competition on road-worthiness inspection fees, aimed at recuperating the share of inspections. With dealers resisting the adoption of this strategy, Nissan collaborates with one of them in the city of Hakone to create a showcase of the whole initiative. However, while initial results were promising, this dealer's performance in the Pilot seems to have slowed down.

Assignment Questions:

1. What are the trends in dealer profitability and what are the long-term implications for Nissan?
2. The Toyota model of competing with Shaken specialists has been successful. Why are Nissan dealers resisting?
3. What do you think about the idea of running the Pilot in Hakone?
4. If the Pilot is not successful, or if rollout to other dealers fails, what should Nissan do?

(3) INDUSTRAT

As in any other management simulations, each of you will act as a member of a management team making strategic decisions. In our case, each team will compete as a "Firm" against four others for a number of periods, or "years". Each firm will take over an ongoing business, with its own set of inherent strengths and weaknesses. The business objective will be to maximize income and shareholders' value by competing for the business of a present and potential client base.

The amount of learning in a simulated setting is not dissimilar to real life. It depends entirely on your own motivation, participation and contribution to your team's work. If a manager treats his or her business superficially, like a game of Monopoly, they may enjoy the fun, and may even learn a little. However, if you are ready to invest the time, this tool is, as I mentioned above, your "flight simulator". Although not a formal objective, feedback from past participants and executives, the word "fun" is frequently mentioned. I certainly feel that a team that is having fun together learns together and my work with the class and the team will try to enhance this aspect of our course.

The logistics of the simulation are straightforward. During some INDUSTRAT decision periods, each team will have its own breakout room for its internal decision-making process. These sessions shall take place under a severe time constraint, to replicate real life. I will be moving in and out of these rooms, supporting, challenging, answering questions and playing the roles of your corporate CEO, the government, the bank and administrator. I will help, when asked, in negotiation between teams, as well as facilitate arbitration sessions, if necessary, between teams in dispute.

Other decision sessions shall be “homework” for you, and I shall be available via e-mail or internet chat media. You will have a submission deadline for each of those decisions, which you can make at your leisure.

One final word, before we get into content. There are numerous management simulations on the market. The difference between them and INDUSTRAT could be compared to the difference between the game of Checkers and Chess. In Checkers, there are a restricted number of strategies that work, and the end game converges on the same solution. In INDUSTRAT, creativity, unconventional moves, negotiation skills and, just as in “REAL” business, luck, are also necessary to succeed.

All this means that the competitive scenario, except for some macro industry-wide parameters, will evolve almost exclusively according to the interactions among competing firms. In all the years my colleagues and I have run and refined INDUSTRAT, we have not seen two identical scenarios. This means that many of your decisions and interactions will, no doubt, be new and challenging to me, providing me with rich learning experience as well.

Content of the simulation

INDUSTRAT (www.industrat.com) provides you with exposure to:

Business Setting

1. Industrial target accounts with several decision-makers, each with his or her concerns, biases and relative influence different stages of the purchasing process.
2. Customer decision-makers holding various perceptions of competing products, but also of competing supplying establishments.
3. Separation of the “R & D” function into: (1) “R”: basic technological research, an expensive and risky undertaking, and (2) “D”: the less risky product development and cost reduction activities.
4. The possibility for collaboration between competing companies through licensing agreements, joint ventures and other alliances. This experience allows you to experience negotiation and conflict resolution between firms, which are competitors and allies at the same time.

Decision-Making Challenges

1. Your customers will be concerned with multi-sourcing issues. A major consideration is how to manage this process for each of your clients.

2. You will observe an evolution of your product's status with your customers that will run from "awareness" through to "primary sourcing". One critical challenge will be how you optimize your firm's performance at each step of this evolution.
3. You will have to manage your sales force and technical support organizations via hiring, firing, alternative organizational structures, guiding and training, commission schemes and the like.
4. You will implement your strategies via detailed industrial marketing mix decisions including list prices, price discounts, promotion, product advertising, corporate communication, sales and technical force allocation.
5. You will have to design your own information system in order to monitor, analyze and forecast the behavior of customers and competitors.

Strategic Marketing Tools

1. As in any market, segmentation is a major strategic decision subject to constant review in light of your competition. Two features shall be present here:
 - a. INDUSTRAT allows you to choose among a number of alternative segmentation schemes that are pervasive across industrial markets.
 - b. Distinction between *macro* segmentation and *micro* segmentation. The former is based on the characteristics of accounts and the latter on the characteristics of decision-makers within the accounts and their decision-making process.
2. Provision of a comprehensive set of customer-based market research studies specifically designed for industrial products, formatted according to your desired segmentation schemes. In addition, a set of on-line graphic decision support tools, to significantly reduce the need (and the excuse...) for "number crunching".
3. A "qualitative images" facility (letters from customers, memos, newspaper clippings, caricatures, etc.) allowing the communication of creative messages aimed at triggering thought and even inter-groups communication.

(4) Pre-course Preparation

1. A "demo" version of the INDUSTRAT software for team decisions may be found at www.industrat.com DEMO section. Once you enroll in this course, you will receive a short orientation note on what to do in a short "dry run" with this demo.
2. At the same location, on the INDUSTRAT web site, you shall be able to download the INDUSTRAT participant manual. Please read the first 3 chapters carefully and skim through the rest of the book, familiarizing yourself with "where is what", as this will be your reference throughout the simulation.

Reading the manual and going through the decision demo is crucial for your team's success. One of the most important learning points that teams in previous years included in their final presentation, as a message to you, is "read the manual!"

(5) Schedule

Session	Timing	Contents	
1	Tues. Sept. 4	Introductions	Skim INDUSTRAT manual. If you form your own team or part of a team, communicate it to the course admin (Vee) by e-mail. If you don't have a team, Vee will assign you to one.
Homework	Before next class	1. Read INDUSTRAT Manual: preface, pp. 1-39 & pp. 110-178 2. Practice INDUSTRAT Demo in teams 3. Install INDUSTRAT software in your personal computer	Demo instructions Canvas Uninstall the demo and follow your team's follow download and installation instructions (team specific IDs and PWs)
2	Thur. Sept. 6	INDUSTRAT Decision 1	Available 1 hour before class
Homework	Before next class	Read INDUSTRAT manual, pp. 39-66	
3	Tues. Sept. 11	INDUSTRAT Decision 2	Available 1 hours prior to class
Homework	Before next class	Read case: Fortis (A)	Assignment questions in syllabus
4	Thur. Sept. 13	Case discussion: Fortis (A)	
Homework	Before Mon. Sept. 17 @ 12pm	1. Read INDUSTRAT Manual pp. 67-109 2. Submit INDUSTRAT Decision 3	Available Friday 12pm
5	Tues. Sept. 18	Lecture: Strategic Market Segmentation	
Homework	Before next class	Prepare Team Strategic Plan	Due 1 hour before next class
6	Thur. Sept. 20	INDUSTRAT Decision 4	Results and software available only to teams that submit, starting 1 hour before class
Homework	Before Mon. Sep 24 @ 12pm	1. Read Case Nissan Hakone Pilot (A) 2. Submit INDUSTRAT Decision 5	Assignment questions in Syllabus
7	Tues. Sept. 25	INDUSTRAT Decision 6	Available 1 hour before class
Homework	Before next class	Prepare Strategic Plan Read Case: Nissan Hakone Pilot (A)	Due 12am Friday Assignment questions in syllabus
8	Thur. Sept. 27	Case Discussion: Nissan Hakone Pilot (A)	
Homework	Before Mon. Oct. 1 @ 12pm	Read case Verbeek (A) Submit INDUSTRAT Decision 7 Read Case: Verbeek (A)	Available Friday Sept. 28 12pm only to teams having submitted strategic plan
9	Tues. Oct. 2	Case Discussion Verbeek (A)	
Homework	Before Thurs Oct. 4 @ 10am	Submit INDUSTRAT Decision 8	Available Wednesday Oct. 3 12pm
10	Thur. Oct. 4	1. Lecture: Strategic And Global Accounts: Leadership, Organization and Processes 2. Guidelines for Team Presentations	Available after Oct 4 class
Homework	Before Mon. Oct. 8 @ 12pm	Work on Team Presentation Submit INDUSTRAT Decision 9	Software available Friday Oct. 5 4pm Team evaluation form posted on Canvas
11	Tues. Oct. 9	Team Presentations	Submit Final PPT file 1 hour before class
Homework	Before next class	Complete Draft INDUSTRAT Team Evaluations	Before class. DO NOT SUBMIT
12	Tues. Oct. 11	Instructor's Presentation & Evaluation Revisions	Submit final team evaluations at the end of class

(6) Evaluation

Evaluation

The evaluation system below is the result of collaboration by many “generations” of MBA and EMBA students. We have learned that, when students evaluate teams with whom they were competing, everyone benefits. This dynamic stimulates you to be “competition sensitive,” which is why we have integrated this highly valuable element in the learning process. Hence, a major component of the grade relates to your firm's performance in the simulated market, as evaluated by the instructor and by your “rival” teams.

Since the firms in the INDUSTRAT simulation do not start from similar positions of strengths and weaknesses, their performance evaluation is not based merely on financial results. The assessment will relate mainly to how you handled the business that you had taken over. That is, the objectives you set for yourselves, your performance in the light of these objectives, the turnaround capability you demonstrated, and the amount of learning and competence you showed in running your business.

The evaluation of these aspects is not the exclusive domain of the instructor, since participants, by the time we end the course, are rather sophisticated and experienced. Your team's performance will be evaluated by me, as well as by each individual member of the other teams. There will be no internal evaluation of individuals of their own teams.

Another component of the grade is the quality of your final team presentation. A team will be evaluated on its ability to articulate its past activities and the sharing of what they learned in the process. Again, this evaluation will not be reserved to me as all students will be contributing to it.

More specifically, in our last meeting, each participant will complete an anonymous questionnaire about his or her perception of the other teams' performance and presentation. A copy of the questionnaire used previously, the result of a joint effort between me and many past participants, is attached. Constructive suggestions for change, early in the simulation, are welcome. If I receive suggestions that would improve your learning experience, I'll be happy to modify the system, after discussion with the class

The final individual grade for the course will be a function of your performance in the components of the course. The formula is as follows:

30% Firm performance as evaluated by peers in other teams (see sample evaluation form)

30% Firm performance as evaluated by instructor

15% Quality of Final Presentation as evaluated by peers in other teams

15% Quality of Final Presentation as evaluated by peers in other teams

10% Overall individual contribution as evaluated by the instructor *

*This component of the grade is a way to reward individuals for exceptional individual contribution to everyone's learning, or to penalize counter productivity. I will use it only if the reward or penalty is justified. I would gladly reward someone whose team, in a discrete way, tells me that he or she had contributed more than his or her expected share. I will not hesitate to use this component as a penalty when I see clearly, or if a whole team complains that someone did not live up to their commitment to contribute.

About Professor David Weinstein

DAVID WEINSTEIN

Van Leer Professor of Industrial Marketing, INSEAD



David Weinstein is Emeritus Professor of Marketing at INSEAD. He earned his PhD in Business Administration at Columbia University in New York City. He is a Graduate of the Hebrew University of Jerusalem in Economics and Mathematical Statistics. His teaching, research and consulting focus have been on Business to Business marketing in the specialty and commodity chemical industries, the steel industry, packaging, the high technology sector, the automotive market, the mining industry, the financial sector, the oil exploration services businesses, medical instruments and diagnostics, and other B2B areas. He has also been consulting to organizers of Tennis Grand Slam tournaments.

Professor Weinstein has published numerous case studies in his areas of interest. He is co-author of *INDUSTRAT: The Strategic Industrial Marketing Simulation*.

Professor Weinstein has published in the *Journal of Business*, *Journal of Marketing*, *Management Science*, *Multivariate Behavioral Statistics* and other professional research journals. He was a member of the editorial board of the *Journal of Marketing and Industrial Marketing Management*. He is currently completing a case on in the use of sponsorship by one of the major sponsors of the Rio 2016 Summer Olympic Games.

At INSEAD Professor Weinstein taught in the core and elective courses in the MBA, EMBA and executive programs, on both Fontainebleau and Singapore campuses. He was director the AIMS: Advanced Industrial Marketing program and directed numerous customized senior executive development programs.

Professor Weinstein served several tours as chair of INSEAD'S marketing area.

He was Visiting Scholar at Harvard Business School in 1977-1978, Visiting Professor at Stanford Business School in 1982-1984 and the Henry Sweetbaum Chair of Distinguished Visiting Professor at the Wharton School 1993-4. He continued for several years as Visiting Professor at Wharton, acting co-academic director of the Industrial Marketing Strategy at the Wharton's Aresty Institute. He spent the recent winters in Florida, teaching in the Spanish Speaking GEMBA Program at The University of Miami.

Professor Weinstein won numerous teaching and best course awards for MBA, EMBA and executive education programs in all schools he taught in, teaching in English, French Spanish and Hebrew.