

**HCMG 213: Health Care Strategy and Management**  
**Monday/Wednesday 12:00-1:30**

**Instructor:** Andrew Mulcahy, MPP  
4<sup>th</sup> Floor, Colonial Penn Center (3641 Locust Walk)  
[mulcahaw@wharton.upenn.edu](mailto:mulcahaw@wharton.upenn.edu)  
Office Hours: By appointment. MW 1:30-2:30 preferred.

**I. LOGISTICS**

**Overview:**

This course presents an overview of the business of health and how a variety of health care organizations have gained, sustained, and lost competitive advantage amidst intense competition, widespread regulation, high interdependence, and massive technological, economic, social and political changes. Specifically, we evaluate the challenges facing health care organizations using competitive analysis, identify their past responses, and explore the current strategies they are using to manage these challenges (and emerging ones) more effectively. Students will develop generalized skills in competitive analysis and the ability to apply those skills in the specialized analysis of opportunities in producer (e.g. biopharmaceutical, medical product, information technology), purchaser (e.g. insurance), and provider (e.g. hospitals, nursing homes, physician) organizations and industry sectors. The course is organized around a number of readings, cases, presentations, and a required project.

**Required Reading:**

Every reading listed in this syllabus is required unless clearly marked as “optional”. This syllabus and webcafe indicate a suggested reading order for each lecture.

You must purchase the HCMG 213 **required** coursepack from Study.Net. This coursepack contains HBS cases and articles and a few other readings which require an additional copyright payment. You have to option to purchase a printed copy of this coursepack from Wharton Repro. Once you purchase the coursepack you can access articles via Study.Net or via links on webcafe.

All other readings are available on webcafe in pdf or via permanent URLs to library resources. The HCMG 213 webcafe site is <https://webcafe.wharton.upenn.edu/eRoom/hcmg/213-fa09-1> (you can also access the site via PennPortal or Spike). Students who have a Wharton Computing account will automatically have access the webcafe once they are registered for the class. Students who do not yet have a Wharton computing account can create one at: <http://accounts.wharton.upenn.edu> . If you have problems, contact the webcafe consultants at the WCIT computer consulting office or online.

**Grading:**

Participation: 10%

Short written assignments: 15%

Case: 15%

Final case: 20%

Project: 40%

**Required Textbook:**

Grant, Robert M., "Contemporary Strategy Analysis", 2008, 6<sup>th</sup> ed., Blackwell Publishing. ISBN 1405163097. \$79/\$50 new/used from Amazon. Available at UPenn bookstore.

Note: You can also buy the 5<sup>th</sup> edition (ISBN 1405119993, \$10/\$3 new/used from Amazon). While both editions have the same chapters, there will be slight differences in the text. The page numbers in this syllabus refer to the 6<sup>th</sup> edition, and you are responsible for the 6<sup>th</sup> edition material. This should not pose a problem if you are careful to read the correct sections.

**Supplemental Texts:** Available on reserve at Lippincott. Required reading from these texts is posted on Study.Net or webcafe. Non-assigned sections of these books are for reference only.

- Besanko, Dranove, Shanley, and Schaefer, *Economics of Strategy*, 2007, 4<sup>th</sup> ed., Wiley
- Ghemawat, Pankaj, *Strategy and the business landscape*, 2<sup>nd</sup> ed.
- Hitt, Ireland, and Hoskisson (2008), *Strategic Management: Competitiveness and Globalization, Concepts*, Cengage Learning. 8<sup>th</sup> edition.
- Oster, Sharon M., *Modern Competitive Analysis*, 1999, 3<sup>rd</sup> ed., Oxford University Press

\*\*\*Older editions of Grant, Besanko et al, and Hitt et al are, for the most part, identical. The 1999 Oster edition is the most recent.

**Assignments:**

- Participation: I will actively grade participation throughout the semester. Both the quantity and quality of your questions and comments in lectures and discussions will determine your participation grade.
- Short written assignments: You will submit several short (about one page) responses to in- class prompts. These assignments will be graded on a check minus/check/check plus scale.
- Case: There is one \*individual\* case writeup due around the beginning of October. Please do not collaborate on this assignment.
- Final case: I'll distribute a case at our last class meeting. You'll be asked to respond to a few general questions based on this case during our class's scheduled final exam period. The final may also include short answer-style questions.
- Strategic profile project: You will be asked to form teams consisting of three to five students. Using primary and/or secondary data, you will prepare a strategic profile of the health care organization of your choice. The project includes both a written and a verbal component. Written profiles should not exceed 20 pages (double spaced, not including necessary data appendices). Verbal presentations will be scheduled during class time and should not exceed fifteen minutes. In preparing the strategic profile you should demonstrate a comprehension of the concepts learned throughout the semester, a deep understanding of their unique application in the chosen health care setting, and a proficiency in competitive analysis. You should also include a 1 to 2 page "reflections" section (not included in the 20 page limit) that discusses any challenges your team faced in the research process and how you addressed them. We will discuss this project at length as the semester progresses.

**II. COURSE SCHEDULE (Subject to change)****September 9 (W): Introduction: What is strategy?****Lecture 1***Required reading:*

1. **Grant:** Chapter 1
2. **Webcafe:** Hitt et al (2008), [Chapter 1: Strategic management and strategic competitiveness](#)
3. **Study.Net:** Porter, Michael E (1996). ["What is strategy?"](#) *Harvard Business Review*. November-December 1996, pp. 61-78.
4. **Webcafe:** Levitt, Steven (2008), ["From good to great... to below average."](#) New York Times Freakonomics blog, July 28, 2008.

*Optional reading:*

**Webcafe:** Ghemawat, Pankaj (2001). *Strategy and the Business Landscape*. Prentice Hall.  
[Chapter 1: The Origins of Strategy](#).

*Assignments:*

IO and RB models applied exercise distributed. Due September 16 before class on webcafe.

**September 14 (M): Health care basics****Lecture 2***Required reading*

NOTE: (If you've taken another health care course skim Jonas and OECD)

1. **Webcafe:** Jonas et al (2007), [An introduction to the US health care system](#). Chapter 1: Introduction, skim pages 1-7.
2. **Webcafe:** (READ CHAPTER 3 ONLY) [OECD Economic survey, United States](#) (2008). Read Chapter 3 (pp. 105-end) only.
3. **Webcafe:** Washington Post, Brownlee and Emanuel (Nov. 2008), [5 Myths about our ailing health care system](#).
4. **Webcafe:** The Economist (June 2009), [Heading for the emergency room](#).

**September 16 (W): Goals, values, and performance****Lecture 3***Required reading:*

1. **Grant:** Chapters 2 (skim pp. 46 from "Performance diagnosis" to p. 53)
2. **Webcafe:** Arnold Relman and Uwe Reinhardt (1986). ["Debating for-profit health care and the ethics of physicians."](#) *Health Affairs* 5(2): 5-31. Read the first two letters carefully (p5-16), and skim the rest.
3. **Study.Net:** Collis and Rukstad (2008). ["Can you say what your strategy is?"](#) *Harvard Business Review*. April 2008, pp. 82-90.

*Assignments:*

IO and RB models applied exercise due before class on webcafe.

**September 21 (M): Tools 1: The external environment****Lecture 4***Required reading:*

1. **Grant:** Chapter 3

2. **Study.Net:** Porter (2008) [“The five competitive forces that shape strategy.”](#) Harvard Business Review. January 2008. pp. 78-93.
3. **Webcafe:** Besanko et al [Box 8.1: The SSNIP in Action](#)
4. **Webcafe:** Besanko et al [pp. 336-340](#)

*Optional reading:*

**Webcafe:** FOR REFERENCE/SKIM: McGahan and Porter (1997). [“How much does industry matter, really?”](#) Strategic Management Journal vol 18, pp. 15-30.

**Webcafe:** Karwal, V. [“The changing competitive landscape in the global generics market: threat or opportunity?”](#) J Generic Medicines 3(4), 2006.

**Reserve:** Oster, Chapter 3: Industry analysis

*Assignments:*

Five Forces analysis assigned. Due September 28 before class on webcafe.

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**September 23 (W): Tools 2: The internal organization**

**Lecture 5**

*Required reading:*

1. **Grant:** Chapter 5
2. **Webcafe:** Barney, J. [“Firm resources and sustained competitive advantage.”](#) Journal of Management 17(1):99-120. 1991.
3. **Webcafe:** Prahalad and Hamel, [“The core competence of the corporation.”](#) HBR 1990.
4. **Webcafe:** Besanko et al., [Box 13.4: Measuring capabilities in the pharmaceutical industry \(p. 378\).](#)

*Optional reading:*

**Webcafe:** Hitt et al, [Chapter 3](#)

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**September 28 (M): Case: E2M Health Services/Competitive advantage**

**Lecture 6**

*Case:*

**Study.Net:** [E2M Health Services case](#)

*Required reading:*

1. **Grant:** Chapter 7
2. **Webcafe:** Douglas and Ryman (2003). [“Understanding competitive advantage in the general hospital industry”](#) Strategic Management Journal 24(4):333-347.

*Assignments:*

Five Forces analysis due before class on webcafe.

Competitive advantage analysis assigned, due October 5 before class on webcafe

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**September 30 (W): Cost advantage**

**Lecture 7**

*Required reading:*

1. **Grant:** Chapter 8
2. **Webcafe:** BusinessWeek, [“Teva’s generic advantage”](#), August 29, 2006.
3. **Webcafe:** Besanko et al, [Box 2.4: The pharmaceutical merger wave, p. 57.](#)
4. **Webcafe:** Besanko et al, [Box 2.6: Learning by doing in medicine, p. 66-67.](#)

**October 5 (M): Differentiation advantage/Niche advantage****Lecture 8***Required reading:*

1. **Grant:** Chapter 9
2. **Webcafe:** Berenson, Bodenheimer, and Pham (2006). [“Specialty-service lines: salvos in the new medical arms race.”](#) *Health Affairs*.
3. **Webcafe:** WSJ (2006). [“Health care fixes should focus on quality.”](#)

*Assignments:*

Competitive advantage analysis due before class on webcafe

**October 7 (W): Biocon and ThedaCare Cases****Lecture 9***Case:*

**Study.Net:** [Biocon case](#)

**Study.Net:** [ThedaCare case](#)

*Assignments:*

Individual case writeup due before class on Webcafe. Choose one case. See guidelines and suggestions on webcafe

**October 12 (M): Competitive dynamics: Pricing****Lecture 10***Required reading:*

1. **Webcafe:** Oster, S. (1999). [CHAPTER 15, “Competitive Pricing”](#) in *Modern Competitive Analysis*.
2. **Webcafe:** Camerer, C (1991). [“Does strategy research need game theory?”](#) *Strategic Management Journal*, Vol 12, Special Issue, 1991.
3. **Webcafe:** Besanko et al, [Box 10.6: Quality competition among US health plans, p. 291.](#)
4. **Webcafe:** The Economist, [“The unkindest cuts”](#), August 2009

**October 14 (W): Competitive dynamics: Entry and exit****Lecture 11***Required reading:*

1. **Webcafe:** Besanko et al [Chapter 11](#)

**October 19 (M): NO CLASS - FALL BREAK****NO CLASS****October 21 (W): Responding to industry evolution****Lecture 12***Required reading:*

1. **Grant:** Chapter 10
2. **StudyNet:** Porter and Rivkin, [“Industry transformation,”](#) *HBR*
3. **StudyNet:** Hagel et al, [“Shaping strategy in a world of constant disruption,”](#) *HBR*
4. **Webcafe:** Courtney, H. [“Making the most of uncertainty.”](#) *McKinsey Quarterly* 4:38-47. 2001.

*Assignments:*

Industry evolution assignment distributed. Due October 26 before class on webcafe.

**October 26 (M): Strategy in technology-based industries****Lecture 13**

*Required reading:*

1. **Grant:** Chapter 11
2. **Webcafe:** [Oster, Chapter 16](#)
3. **StudyNet:** Christensen et al, [“Will disruptive innovations cure health care?”](#) HBR

*Assignments:*

Industry evolution assignment due before class on webcafe.

**October 28 (W): Introduction to “External Innovation” (Piacquad)****Lecture 14**

*Required reading:* TBA

**November 2 (M): “External Innovation”, Part II (Piacquad)****Lecture 15**

*Required reading:* TBA

**November 4 (W): Corporate strategy: Vertical integration****Lecture 16**

*Required reading:*

- Grant:** Chapter 13
- Webcafe:** Burns and Pauly, [“Integrated Delivery Networks”](#) Health Affairs
- Webcafe:** Besanko et al, [Box 5.1 “Licensing biotechnology products”, p. 121.](#)
- Webcafe:** Besanko et al, [Box 6.2 “Gone in a heartbeat”, p. 157.](#)
- Webcafe:** Besanko et al, [Box 6.4, “Tapered integration in clinical research”, p. 163.](#)

*Assignments:*

Corporate strategy assignment distributed. Due November 11 before class on webcafe.

**November 9 (M): Corporate strategy: Diversification****Lecture 17**

*Required reading:*

- Grant:** Chapter 15
- Webcafe:** McKinsey Quarterly (2002), [“Are you too focused?”](#)
- Webcafe:** Friedman and Goes (2001), [“Why integrated health networks have failed,”](#) Frontiers of Health Services Management

**November 11 (W): Global strategies****Lecture 18**

*Required reading:*

- Grant:** Chapter 14
- Webcafe:** Financial Times (2006) , [“The local cavalry fights back”](#)
- Webcafe:** Besanko et al, [Box 17.5, “Transnational strategy...”, p. 530.](#)

*Assignments:*

Corporate strategy assignment due before class on webcafe.

**November 16 (M): Organizational structure in practice (Piacquad)****Lecture 19**

*Required reading:* TBA

**November 18 (W): Planning Process (Piacquad) Lecture 20**

*Required reading:* TBA

**November 23 (M): Managing organizational change in health systems (John Kimberly) Lecture 21**

*Required reading:* TBA

**November 25 (W): Cooperative strategy and other topics Lecture 22**

*Required reading:*

**Webcafe:** Berenson, Ginsburg, and May (2006). [“Hospital-physician relations: cooperation, competition, or separation?”](#) Health Affairs

**November 30 (M): For-profit/Not-for-profit switches in health insurance (Rob Lieberthal) Lecture 23**

*Required reading:* TBA

**December 2 (M): Wrap up and review**

*Assignments:*

Final papers due on webcafe by 10:30 and in class (hard copy). Slides not handed in.

**December 7 (M): Presentations****December 9 (W): Presentations****December 17 (Thursday): Final exam, 12:00-2:00**