



Management 223: Business Policy

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Course description

The Business Strategy and Policy course focuses on the competitive strategy of the firm, examining issues central to its long and short-term competitive position. Students act in the roles of key decision-makers or their advisors and solve problems related to the development or maintenance of the competitive advantage of the firm in a given market. The first module of the course develops an understanding of key strategic frameworks using theoretical readings and case-based discussions. Students will learn concepts and tools for analyzing the competitive environment, strategic position and firm-specific capabilities in order to understand the sources of a firm's competitive advantage. In addition, students will address corporate strategy issues such as the economic logic and administrative challenges associated with diversification choices about horizontal and vertical integration. The second module of the course will be conducted as a multi-session, computer-based simulation in which students will have the opportunity to apply the concepts and tools from Module 1 to make strategic decisions.

The goal of the course is for students to develop an analytic tool kit for understanding strategic issues and to enrich their appreciation for the thought processes essential to incisive strategic analysis. This course offers students the opportunity to develop a general management perspective by combining their knowledge of specific functional areas with an appreciation for the requirements posed by the need to integrate all functions into a coherent whole. Students will develop skills in structuring and solving complex business problems.

Prerequisites: MGMT 100 and MGMT 101; seniors and juniors that have completed introductory courses in economics, finance, marketing and accounting. If you do not have these prerequisites, you must

provide evidence to me of your preparedness for the course.

Course material, textbooks, and computer simulation

The bulkpack includes a collection of readings and cases and is available from study.net. There is no required textbook for this course, but I put the following textbook on reserve:

- Pankaj Ghemawat, Strategy and the Business Landscape (2nd edition or 3rd edition). Note that either edition will work for this class as there are no substantial changes in the chapters covered in this course.

Also, for further background on analyzing case studies, I have also put the following book on reserve:

- William Ellet, 2007. The case study handbook : how to read, discuss, and write persuasively about cases. Boston, Mass.: Harvard Business School Press.

There will be a computer-based simulation during the course. We will provide the appropriate material to you at the time. There will be an approximately \$50 individual charge for the right to use the simulation. This can be purchased through Study.net.

Communication

The primary means of communication outside of class is the course web page on Canvas. You can reach the Canvas site for the course at <https://wharton.instructure.com/login>.

If you do not have a Wharton e-mail account, please go to the following website to apply for an account: http://accounts.wharton.upenn.edu/account_user/. You need a Wharton account in order to gain access to webCafé.

Your grade

Your grade will depend both on developing a deep knowledge of the concepts and on applying this knowledge in four areas which are the four components of the grade: class discussion, individual case analyses, team-based simulation and team final paper. **The discount for late assignments is severe.** Please note that you cannot take this class with a pass/fail option.

Class sessions and participation

Class discussion

Each class will consist of a combination of lecture and discussion of the day's topic. On most days, we will use case analysis or simulations to explore the issues at hand. Careful preparation is essential. I expect you

Factor	Points
Individual participation	
Class participation	15
Added value exercises	6
Individual case write-up (3 write-ups in total for 8 points each)	24
Team assignments	
Simulation (5 points for submission of the strategic plan, 10 points for the final write-up)	15
Outline of final paper	5
Final paper presentation	5
Final paper	30
Total	100

to read all of the assigned materials for each session in advance of the class. In class, you should be prepared to analyze the concepts from the case or simulations and the readings and to discuss any questions provided in the syllabus. If you can only superficially answer the questions, you are not prepared enough for class. I may use cold calling to ensure preparation and to establish an even level of participation throughout the course.

Class participation

I expect you to participate actively in class to help your learning and that of your peers. A productive learning environment requires active engagement of all class members. Much of your learning will occur in preparation for and participating in the class discussions. There is no substitute for the in-class aspect of learning in a case-based course. Class participation will also provide you an opportunity to exercise and improve your professional communication skills.

Your class contribution will be assessed each class period. I keep regular notes on class participation, and I track both quality and frequency of participation. Your contribution will be evaluated along the following scale:

- 3 — This person's contributions in class reflect thorough analysis of the case and other required readings. Ideas are substantive, reflecting clear, well-reasoned insights grounded in strategic concepts and frameworks. Positions are well substantiated, and persuasive. If this person were not a member of the class, the quality of the discussions would diminish considerably.
- 2 — This person's contributions in class reflect preparation of the case and other required readings.

Some useful insights are provided, building in part on strategic concepts and frameworks introduced in class. Support is offered for new ideas. If this person were not a member of the class, the quality of the discussions would diminish.

- 1 — This person’s contributions in class reflect some preparation of the case and other required readings. If this person were not a member of the class, the quality of the discussions would diminish only marginally.
- 0 — This person has said little or nothing in this class. If this person were not a member of the class, the quality of the discussions would not be changed.
- -1, -2, -3 — This category captures two types of “participation.” The first is contribution based on inadequate preparation. Ideas lack substance, and provide little or no constructive direction for the class. In fact, if this person were not a member of the class, valuable airtime would be saved. The second category reflects disruptive or unprofessional conduct that interferes with the learning or dignity of classmates and peers.

Other issues: Punctuality, laptops

Punctuality matters so class can start and finish on time. Repeated late arrivals will negatively affect the participation grade. Finally, please **do not use laptops in class**. Tablet may be tolerated as long as they remain flat on the table.

Learning Teams

You will be asked to form teams of 4 students for the course. You will work in these teams to run the simulations and to prepare a final paper analyzing a company using the strategy frameworks covered in this course. You may also want to use your teams as a discussion group in preparing the cases for class discussion. The Canvas site will have a tool for this sign up process. You are required to **sign up for a team by Monday, September 23 before class**. If you are having trouble locating other team members, please send me an email and I will find you an appropriate team. This course requires extensive work in teams outside of class. You are expected to participate actively in teamwork.

In order to assure appropriate effort across the team, I will ask each of you to evaluate confidentially the efforts of your teammates after the class is over by using the form below. I will take these ratings into account in establishing the final grades for each person.

SAMPLE TEAM MEMBER EVALUATION FORM

Please rate the contribution (effort and quality) to the team performance in the conceptualization, development, and presentation of the business plan. Do not rate yourself. Assign a score of 1-10 to each team member other than yourself. Note: the column does not add up to 10. The scale is from:

1: Person was extremely under-committed in all of your interactions (i.e. did not read materials in advance, did not put effort into the actual simulations, or research and writing for the final paper), to:

10: Person was extremely committed in all of your interactions (i.e., the person could not have done anything more to contribute to the simulation and to the final paper project)

Team Name and Team Letter:

Your Name:

Team Member's Name (Not including yourself)

Effort: scale 1 (low) – 10 (high)

Applications of theories: Cases and simulations

Cases and simulations give life to management theory. In this course, they give you an opportunity to put yourself in the shoes of managers as they make strategic choices both by studying cases of companies in a variety of industries and by playing the role of managers in a computer-based simulation.

I have chosen the cases in the course to elucidate particular strategic concepts. Many of the cases focus on a critical moment in time for a company. Therefore, it is not appropriate to do research on what has happened to the company since the time the case was written. As managers, you will never have the luxury of 20/20 hindsight when you need to make strategic choices. The goal of the case preparation and discussion is to hone your own analytical skills using the information at hand.

We will also use a computer-based simulation of business problems during the course. This is an opportunity to apply the frameworks in dynamic situations. You should run this simulation in your learning teams. I will provide more information about the simulation in class. The simulation requires at least one team member to have a personal computer.

Exercises and individual case write-ups

Each student is individually responsible for **one set of exercises** and **3 short case analyses** over the course of the term.

Mandatory exercise	Date due (hard copy to be handed in at the beginning of class)
Exercises on added value	Wednesday, September 11
Case (do write up for at least 3 of these cases, pick any that you want)	Date due (UPLOADED ON CANVAS BEFORE CLASS)
Formula One Racing	Wednesday, September 11
Ducati	Monday, September 16
Dell	Wednesday, September 18
Samsung	Monday, September 23
Cola Wars	Wednesday, October 2
Garmin	Monday, October 7
Apple vs. Google	Wednesday, October 16
Celulosa Arauco	Wednesday, October 23
Walt Disney and Pixar	Monday, October 28
IMG	Wednesday, October 30

The set of exercises on added value will be an easy and direct application of concepts from the class. This assignment will allow you to check your comprehension of some key concepts. It will be graded on a pass/fail basis and is due on Wednesday, September 11 .

Each of the 3 case write-ups is limited to 3 pages (single-spaced, 1 inch margins, Times Roman 12 pt. font) of text and an optional 1 page of exhibits. Three pages may not seem like enough space, but it will force you to focus on the most important issues and write concisely. Do not use a smaller font or smaller margins for these assignments. I need space in the margins to make comments. These will be due at the beginning of the relevant class, **uploaded on Canvas**. No late assignments will be accepted. These are individual assignments and should not be done in your learning team. You can pick any 3 cases from the following list. If you do more than 3, I will take the 3 highest grades. Each write-up is worth 8 points. 24 total points are possible for this part of your grade.

Team paper requirements

The paper is a research paper. By research paper, I mean a paper that is inquisitive, critical if necessary, based on the gathering and analysis of a broad range of information. The goal is to apply to an existing company the principles of business strategy that we covered in class. The paper should not be a mere case study, content with uncritically presenting facts. It should rather seek to explain how the company under study acquired its position given its competitive environment and how we should think about its evolution

in the future. Imagine that you are producing this report to advise a new top-management team, a potential acquirer, or a competitor.

There is no specific page length requirement. However, I believe that a good analysis can be accomplished in about 30 pages of text (double-spaced) plus exhibits.

The proposal for your paper is due in a one paragraph write-up on Wednesday, October 16 at the beginning of class. A detailed outline of your paper is due on Monday, November 4 in class. Your paper is due on Friday, December 15 at 5 p.m. (uploaded to webCafé folder and hard copy delivered to my office).

Paper proposals

On Wednesday, October 16, please hand in your topic/company proposals at the beginning of class. Each team should provide two proposals involving different firms (you may submit two proposals on the same topic.) I will select which one you can develop into a case.

For each of your two proposals, please write one paragraph explaining why you believe this is a suitable company or pair of companies to look at. Then provide the following information for each company that you propose to study:

1. Short summary of the story of the company/companies (i.e., why it will be interesting to study)
2. Length of company history
3. List periods of public vs. private ownership of company; for private periods find at least one source of data for that timeframe. Keep in mind that it is much more difficult to locate information for private companies.
4. Brief, general list of sources of data that team expects to use (note: if you choose a private company, be especially careful about how you will get information).

You may not select companies that we are studying in the course, **nor companies that you have covered in other related courses**. I suggest you

On Monday, October 21, I will let you know which topic I have selected. Selection will be made based on appropriateness for the course and avoidance of overlap with other teams.

In November (dates TBD), I will be available to meet with any of the teams to discuss your progress and help you refine your thinking. I will have a signup sheet for those meetings on Canvas.

Handing in assignments

All due dates and assignments are indicated in the syllabus. Late assignments will not be accepted. For individual assignments, please make sure your name is clearly indicated at the top of the page or on a cover page. For team assignments, make sure your team letter and all team members' names are indicated at the top of the page or on a cover page.

Paper component	Date due
Team formation	Monday, September 23
Proposal	Wednesday, October 16
Outline	Monday, November 4
Paper	Friday, December 15

Academic integrity

To most of you, this will probably be self-evident, but I want to make sure that we are all on the same page. Copying paragraphs or even paraphrasing sources (magazines, newspaper articles, books, analyst reports, web pages, etc.) without properly citing them is a serious offense. Properly citing means (1) if you copy word for word, you have to mark this by enclosing the copied text with quotation marks and cite the source; (2) if you take someone's idea but put it in your own words, you still need to indicate in a citation the source of the data or the idea. This citation has to follow the idea directly (either attach a footnote or endnote): it is not enough to list your sources in the bibliography of the paper (though you should do this as well). At the end of the paper, you should then list all sources that you have cited in the text. **Failure to cite (plagiarism) is a very serious academic offense that will lead to a failing (F) grade, and potentially to other sanctions.** To avoid such an incident, be very careful in your papers to attribute ideas, data, frameworks, etc., to their respective sources.

Course outline

Introduction

Class 1: Introduction, course overview and the history of business strategy (Wednesday, August 28)

- Readings: P. Ghemawat: "Competition and Business Strategy in Historical Perspective", Business History Review 76 (Spring 2002): 37–74.
- Case: N/A

Monday, September 2: Labor Day, No class

Fundamentals of value creation and value capture

Class 2: Foundations: creating, capturing and adding value (Wednesday, September 4)

- Readings:

1. A. Brandenburger and H. Stuart “Value-Based Strategies”, Journal of Economics and Management Strategy, 1996, pp. 5-24

Class 3: Foundations: creating, capturing and adding Value - Part 2 (Monday, September 9)

- Readings:
 1. Cf. class 3.
 2. Optional: O. Chatain and P. Zemsky: “Value Creation and Value Capture with Frictions”, Strategic Management Journal.
- Deliverable: Exercises on added value.

Class 4: Getting into the driver’s seat (Wednesday, September 11)

- Case: Formula One Racing (#9-703-412).
 1. What is Mr. Eccelstones’s added value in Formula One? In the past? At the time of the case?
 2. How much value has Mr. E captured? How did he do it?
 3. What are the threats to Mr. E and the companies that he created?

How to compete, Part I: Competitive advantage and competitive positioning

Class 5: Competitive positioning I: Leveraging company specific assets (Monday, September 16)

- Readings:
 1. P. Ghemawat and J. Rivkin, “Creating Competitive Advantage”, Teaching note.
- Case: Ducati (#9-710-442).
 1. How did Ducati become the second most profitable motorcycle maker in the world despite its small scale? What is the fundamental economic logic of Minoli’s turnaround?
 2. Can Ducati sustain its position in the sport segment? Can Honda and the other Japanese manufacturers stop its growth in this segment?
 3. What alternatives are available to Minoli in 2001? Which would you recommend?

Class 6: Competitive positioning II: Structuring the value chain (Wednesday, September 18)

- Readings:
 1. P. Ghemawat and J. Rivkin, “Creating Competitive Advantage”, Teaching note.

2. O. Chatain, “Note on Back-of-the-Envelope Analyses in Strategy”. Concentrate on the cost analysis part.

- Case: Revitalizing Dell (#9-710-442).

1. What are some of the key choices Dell has made in how it competes to distinguish it from its primary competitors?
2. Prior to the efforts by competitors to match Dell (circa 1997), how big was Dell’s comparative advantage? See if you can use the numbers in the case and reasonable estimates to quantify the advantage. How has Dell used this advantage in the market? (Think about the customer willingness to pay.)
3. Why was it hard for competitors to respond to the challenge posed by Dell’s competitive advantage in the 1990’s?
4. How can you explain Dell challenges in recent years?

Class 7: Competitive positioning III: Sustaining competitive advantage (Monday, September 23)

- Readings: D. Besanko, D. Dranove, M. Shanley and S. Schefer “Sustaining Competitive Advantage”, Chapter 12, Economics of Strategy, 3rd Edition, John Wiley & Sons, Inc, 2004.

- Case: Samsung Electronics (# 9-705-508)

1. What are the sources of Samsung’s cost advantage in DRAM in 2003?
2. What are the sources of Samsung’s price premium in DRAM in 2003?
3. What recommendation would you make to Chairman Lee regarding Samsung’s response to the threat of large-scale Chinese entry?

- Deliverables:

1. You must complete your signup for teams on WebCafé today.

How to compete: Industry context

Class 8: Structural analysis of the industry I: Fundamentals (Wednesday, September 25)

- Readings:

1. M. Porter “The Five Competitive Forces That Shape Strategy”, Harvard Business Review, January 2008, 79-93.
2. A. Brandenburger “Porter’s Added Value: High Indeed!,” Academy of Management Executive, 2002, pp 58-60.

Class 9: No class (Monday, September 30)

- Time to research final case proposal

Class 10: Structural analysis of the industry II: The Five Forces (Wednesday, October 2)

- Readings:

1. M. Porter “The Five Competitive Forces That Shape Strategy”, Harvard Business Review, January 2008, 79-93.
2. A. Brandenburger “Porter’s Added Value: High Indeed!,” Academy of Management Executive, 2002, pp 58-60.

- Case: Cola Wars Continue: Coke and Pepsi in 2006 (#9-706-447).

1. Why is the soft drink concentrate industry dominated by two firms? What is the basis for scale economies in this industry?
2. Use the 5-Forces framework to explain why the soft drink concentrate industry is so profitable.
3. How has the industry structure changed in the 1990’s to the present? Can Coke and Pepsi sustain their profits in the U.S. in the wake of the growing popularity of non-carbonated drinks?

Class 11: Structural analysis of the industry III: Dynamics of the business landscape (Monday, October 7)

- Readings:

1. M. Porter “The Five Competitive Forces That Shape Strategy”, Harvard Business Review, January 2008, 79-93. [especially subsection changes in Industry Structure]

- Case: Garmin.

1. Why, historically, has the PND industry been so profitable?
2. What challenges / changes are likely to influence the PND industry? What do these trends imply for the evolution of the industry?
3. Can Garmin, TomTom and other established players sustain their market positions and margins in years to come? What will you recommend to Dr. Min Kao, Garmin’s CEO?

Class 12: No class – Enjoy fall break (Wednesday, October 9)

Class 13: Structural analysis of the industry IV: Shaping the industry through first mover advantage (Monday, October 14)

- Readings: Lieberman, M.B. & Montgomery, D.B., 1998. First-mover (dis)advantages: retrospective and link with the resource-based view. *Strategic Management Journal*, 19(12), pp.1111–1125.
- Lieberman, M.B. & Montgomery, D.B., 1988. First-mover advantages. *Strategic Management Journal*, 9(S1), pp.41–58.
- Suarez, F., & Lanzolla, G. (2005). The half-truth of first-mover advantage. *Harvard Business Review*, 83(4), 121-7.

Class 14: Structural analysis of the industry V: Competition between ecosystems (Wednesday, October 16)

- Readings:
 1. A. Brandenburger and B. Nalebuff. Chapter 2, “Co-opetition”, *Co-opetition* Doubleday: New York, NY.
- Case: Ecosystems
 1. Technology giants at war: Another game of thrones, *The Economist*, December 1, 2012
- Questions
 1. Analyze the value nets of Apple, Google, Facebook and Amazon. Where are they overlapping? Where are they complementing each other?
 2. Assess how much competition and cooperation we should expect between these actors on the mobile market, the app market,
- Deliverable: Proposals for final paper.

Where to compete: Firm resources, capabilities and corporate strategies

Class 15: Corporate strategy I: Lecture on corporate strategy (Monday, October 21)

- Readings:
 1. M. Piskorski, “Choosing Corporate and Global Scope”. Teaching note.
- Case: No Case

Class 16: Corporate strategy II: Forward Integration vs. Horizontal Expansion (Wednesday, October 23)

- Readings:
 1. Cf. Class 15
- Case: Arauco (A): Forward Integration or Horizontal Expansion? (# 9-705-474)
 1. Should Arauco build the Nueva Aldae project?
 2. What are the sources of Arauco's competitive advantage?
 3. Should Arauco own both forests and pulp production facilities? Does the Alto Parana project help you answer this question?
 4. Do you think there is a better alternative to investing in a pulp plant?
- Deliverable: Proposals for final paper

Class 17: Corporate strategy III: Managing relationships between partner corporations (Monday, October 28)

- Readings:
 1. Cf. Class 15
- Case: The Walt Disney Company and Pixar Inc.: To Acquire or Not to Acquire? (# 9-709-462).
 1. Which is greater: the value of Pixar and Disney in an exclusive relationship, or the sum of the value that each could create if they operated independently of one another or were allowed to form relationships with other companies? Why?
 2. Assuming that Pixar and Disney are more valuable in an exclusive relationship, can that value be realized through a new contract? Or is common ownership required (i.e., must Disney acquire Pixar)?
 3. If Disney does acquire Pixar, how should Bob Iger and his team organize and manage the combined entity? What challenges do you foresee, and how would you meet them?

Class 18: Corporate strategy IV: Leveraging talent (Wednesday, October 30)

- Reading: Cf. Class 11
- Case: International Management Group (IMG) (# 9-702-409).
 1. Where does the value of the relationship between clients and IMG reside? Is it with the agents? With IMG? Elsewhere

2. Evaluate IMG's various decisions to enter new areas or new lines of business. Which areas of expansion do you consider most sensible, and which are least compelling?
3. What do you perceive to be the biggest challenge in structuring an organization like IMG? How might these difficulties be overcome?
4. If you were a potential competitor to IMG, what strategy would you pursue to compete against it? Where do you think IMG is most vulnerable today?

Integration and summary

Class 19: Integrating and applying concepts (Monday, November 4)

- Readings: N/A
- Business Strategy game We will introduce the Business Strategy Game simulation and provide instructions for running the simulation over the next several class sessions.
 1. Review the spreadsheets in the game.
 2. What can you say about the current footwear industry structure and profitability?
 3. What are the main kinds of strategic decisions that your company can make?
- Deliverable: Outline of final paper due at the beginning of class.

Class 20: Integrating and applying concepts (Wednesday, November 6)

- Readings: N/A
- Business Strategy game
 1. Your team should decide on a basic strategic position for your firm. Then, implement the strategy by making a set of decisions. Submit these decisions according to the schedule in the instructions. Play two rounds of the game. In class, we will discuss the following questions:
 2. What strategic position have you chosen for your firm?
 3. How did your decisions reflect that position?
 4. What were your expectations before you saw the results of the first round? Were there any surprises? If so, what?

Class 21: No class: Time for team meetings/running simulation (Monday, November 11)

Class 22: Integrating and applying concepts (Wednesday, November 13)

- Readings: N/A

- Business Strategy game
 1. Play one more round of the game. Submit the decisions according to the overall schedule for the simulation. Reflecting on the results from the first three rounds of the game, determine if you should maintain your original strategy or change it. Then, go to the strategic planning page and fill out the strategic plan for your business (you will only be able to access this after the 3rd round runs). Print out the strategic plan and bring it to class. In class, we will discuss the following questions:
 2. Is the strategy reflected in your strategic plan different from your plan of attack for the first 3 rounds?
 3. What challenges did you face in developing the plan?
 4. Is this planning exercise realistic? Why or why not?
- Assignment to hand in: Hand in a printout of your strategic plan. This is a team assignment, so only hand in one printout per team.

Class 23: No class: Time for team meetings/running simulation (Monday, November 18)

Class 24: Integrating and applying concepts (Wednesday, November 20)

- Readings: N/A
- Business Strategy game
 1. Run 3 more rounds of the game according to the schedule established in the instructions. Compare your results to those you anticipated in your strategic plan. In a one page write-up, answer the following questions:
 2. Did you get the results you anticipated in your strategic plan? Why or why not?
 3. What was the strategy that you chose to implement? In retrospect, what should you have done?
 4. What lessons about strategy do you take away from this exercise?
- Assignment to hand in: Hand in one page answering the questions above at the beginning of class. This is a team assignment, so only hand in one page per team.

Class 25: Wrap up and conclusions (Monday, November 25)

Class 26: No Class - Happy Thanksgiving! (Wednesday, November 27)

Class 27: Group presentations of final paper (Monday, December 2)

Class 28: Group presentations of final paper (Wednesday, December 4)

Class 29: Group presentations of final paper (Monday, December 9)

- Deliverable: Final paper is due on Friday, December 15 by 5 pm, uploaded to Canvas and hard copy delivered to my office at SHDH 2026.